

WTM/AB/IVD/ID3/16889/2022-23

SECURITIES AND EXCHANGE BOARD OF INDIA
FINAL ORDER

Under Sections 11, 11(4) and 11B of the Securities and Exchange Board of India Act, 1992.

In respect of:

Noticee no.	Name of the Entity	PAN
1.	Vaibhav Dhadda (alias Avi Dhadda)	DFAPD6039C
2.	Alka Dhadda	BBIPD5396J
3.	Arushi Dhadda	DFAPD6005J
4.	Pramod Jain (HUF)	AALHP5134K
5.	Beena Jain	AOMPJ7655J
6.	Aditya Barla	ANJPB2487N
7.	Sumit Kanungo	AUCPK0661M
8.	Prashant Jain	AOMPJ7656M
9.	Pranay Vaid	ACZPV5511A
10.	Siddharth Jain	AEWPJ4559H
11.	Riya Jain (Kanungo)	AHKPJ1006A

The aforesaid entities are hereinafter individually referred to by their respective names/notice numbers and collectively as “the Noticees”.

In the matter of Front Running: Various Funds of Fidelity Group

1. Present proceedings have emanated from an interim order cum show cause notice dated June 07, 2021 (hereinafter referred to as, “**the SCN**”) issued by Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) to the Noticees, alleging violations of Sections 12A(a), 12A(b), and 12A(c) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as, “**SEBI Act, 1992**”) read with Regulation 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(q) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations, 2003**”) by Noticee No. 1 to 11.
2. The aforesaid SCN came to be issued against the Noticees in view of the fact that SEBI conducted an investigation to ascertain whether there was any violation of the provisions of the PFUTP Regulations, 2003 and SEBI Act, 1992 by Mr. Vaibhav Dhadda (alias Avi Dhadda), Ms. Alka Dhadda and Ms. Arushi Dhadda, any other individual/entity associated to Mr. Vaibhav Dhadda or any employee/officer who was aware/involved in placing trades on behalf of the entities of Fidelity Group for front running the trades of various funds of Fidelity during the period February 01, 2019 to November 30, 2019 (herein after referred to as the “**Investigation Period**”).
3. The SCN has mainly provided the following narration:
 - 3.1. The trading pattern of Ms. Alka Dhadda and Ms. Arushi Dhadda suggested that they managed their trading to take advantage of the impending trading activity of Fidelity Group entities by front running them, and thereby generated profits for themselves from the price movement of scrips on account of the large buy / sell orders of Fidelity Group entities. Mr. Vaibhav Dhadda also known as Avi Dhadda, an employee of Fidelity International Ltd. and a relative of Ms. Alka Dhadda and Ms. Arushi Dhadda, was the trader for 21 Fidelity Group entities, and had provided trade instructions to the Trading Members for the said Fidelity Group entities. It appeared that Mr. Vaibhav Dhadda had *prima facie* front run various

entities of Fidelity Group by placing orders through the trading accounts of Ms. Alka Dhadda and Ms. Arushi Dhadda. Several other front running accounts were identified during investigation, as detailed hereafter.

3.2. Entities of Fidelity Group whose trades were *prima facie* front run were as follows:

At the first instance, Fidelity Group entities, which had common scrip days with Front Runner Account Holders were identified. Consequent to the same, it was found that Front Runner Account Holders had front running instances with the following 21 entities of Fidelity Group / Big Clients, who had transacted through various Trading Members:

Sr. No.	Big Client	Trading Member
1	Fidelity Funds - Emerging Markets	HSBC Securities & Capital Markets (India) Pvt. Ltd.
2	Fidelity Funds - Emerging Markets	J .P. Morgan India Private Limited
3	Fidelity Investment Services Limited A/C Fidelity	UBS Securities India Pvt. Ltd
4	Fidelity Asian Values Plc	Goldman Sachs (India) Securities Private Limited
5	Fid Funds Mauritius Limited	Macquarie Capital Securities (India) Pvt. Ltd.
6	Fid Funds Mauritius Limited	IIFL Securities Limited
7	Fidelity Funds Asia Pacific Dividend Fund	ICICI Securities Limited
8	Fidelity Investment Services Ltd	Edelweiss Securities Limited
9	Fidelity Management & Research Company	Citigroup Global Markets India Pvt. Ltd.

10	Fidelity Management And Research Company	Morgan Stanley India Company Private Limited
11	Fidelity Management And Mgmt Co A/C - Fidelity Investment Tr	CLSA India Private Limited
12	Fidelity Investment Trust Fidelity Int Small Cap Opportunities Fund	HSBC Securities & Capital Markets (India) Pvt. Ltd.
13	Fidelity India Fund	Jefferies India Private Limited
14	Fidelity Advisor Series I Fidelity Advisor Equity Growth Fund	Motilal Oswal Financial Services Limited
15	Fidelity Investment Trust Fidelity Total Emerging Markets Fund	Credit Suisse Securities (India) Private Limited
16	Fil Genesis Limited - Fidelity Fast Asia Pilot	Deutsche Equities India Private Limited
17	Fidelity Funds Asian Smaller Companies Pool	Kotak Securities Ltd.
18	Fidelity Funds - Emerging Markets Focus Fund	DSP Merrill Lynch Limited
19	Fidelity International Concentrated Equity Fund	Nomura Financial Advisory and Financial Securities Private Limited
20	Fidelity Funds Asian Smaller Companies Pool	Anand Rathi Share Stock Brokers Limited
21	Fidelity Asian Values Plc	Anand Rathi Share Stock Brokers Limited

3.3. Entity that was instrumental and responsible for front running the impending trades of the aforesaid Fidelity group entities, by sharing the confidential information about the impending trades with Front Runner Account Holders and

by facilitating the trading by such Front Runner Account Holders were as discussed hereinafter.

3.4. Mr. Vaibhav Dhadda was the trader for the said 21 Fidelity Group entities, and he provided trade instructions to the trading members of all the 21 Fidelity Group entities. Further, in the statement recorded before the Investigating Authority dated November 05, 2020, Mr. Vaibhav Dhadda has submitted on oath that he was an assistant dealer in Fidelity when he joined Fidelity in 2017. Subsequently, he became a sales trader of Fidelity in 2019 when he started trading on their behalf (Fidelity). He has also submitted that he used to get the information regarding the trades to be executed on behalf of Fidelity Group entities one day before the actual day of trading. In view of the above, the SCN *prima facie* observed that Mr. Vaibhav Dhadda was aware as to when the 21 Fidelity Group entities would place the order for buy / sell in a particular scrip, as he was the trader who was dealing with the respective Trading Members on behalf of the 21 Fidelity Group entities. The SCN also observed that the decision of the Fidelity Group entities to acquire shares or sell its shares / information about its possible trades is confidential information of the concerned entities as the said information is non-public information. Therefore, it was further observed that Mr. Vaibhav Dhadda was in possession of information of the impending trades of Fidelity Group entities which was not available in the public domain.

3.5. Front Runner Account Holders: The registered owners of the accounts in which front running behavior has been observed were as follows:

Entity name	Address, E-Mail Id and Mobile	Broker name	Date of account opening and name of the person who had opened the trading account

Aditya Barla	S/o Pradeep Barla, 1-K-7, Dadabari, Kota-324009 Rajasthan, India Email: jain.adi999@gmail.com / adi_loveforever@yahoo.com Mob No.: 9828218688/ 9772888358	Arihant Capital Markets Limited	Dec 29, 2017 Account is opened by Aditya Barla
Sumit Kanungo	24/60 Bhokle Kaloni, Khargone, Madhya Pradesh, India, 451001 Email: sumitkanungo@gmail.com Mob No.: 9977320003/ 8602571000/ 9893220003	Indira Securities Private Limited	July 25, 2019 Sumit Kanungo opens account. Riya Jain (wife of Sumit) was introducer
Beena Jain	AE - 57 Scheme No 54, Vijay Nagar, Indore, 18, India Email: beenajaina@gmail.com iprash01@gmail.com Mob No.: 9993528500/9893999968	Arihant Capital Markets Limited	Aug 23, 2019 Prashant Jain opens account. (Son of Beena Jain)
Pramod Jain (HUF)	11, Ram Krishan Ganj, Bhagat singh Road, Khandwa, 18, Madhya Pradesh 450001 Siddarthjainmba@gmail.com Mobile Number: 9425085060	Arihant Capital Markets Limited	Feb 21, 2019 Siddarth Jain opened account. (Son of Pramod Jain)
Alka Dhadda	9 Uniara Garden M D Road Jawahar Nagar Jaipur Rajasthan India 302004 Mobile Number : 7304604821 Email: avidhadda92@gmail.com	Arihant Capital Markets Ltd.	23 May, 2019 Account is opened by Vaibhav Dhadda
Arushi Dhadda	9 Uniyara Garden Moti Dungri Road Jawahar Nagar Jaipur Rajasthan India 302004 Email: avidhaddu92@gmail.com Mob No.: 7304604821	Arihant Capital Markets Ltd.	23 May, 2019 Account is opened by Vaibhav Dhadda

3.6. Front Runner Account Holders who *prima facie* indulged in front running the

trades of Fidelity group entities were observed to be connected to Mr. Vaibhav Dhadda based on financial transactions, KYC details, and from others details viz., travelling together for vacation on the same PNR, sharing of PAN, etc. Connection of each of the Front Runner Account Holders with Mr. Vaibhav Dhadda is elaborated in the following paragraphs.

3.7. Connection between Mr. Vaibhav Dhadda and Ms. Alka Dhadda

3.7.1. In the statement given on oath before the investigating authority on November 05, 2020 Vaibhav Dhadda has submitted that Ms. Alka Dhadda is his mother. The passport of Mr. Vaibhav Dhadda show his parents to be Mr. Virender Dhadda and Ms. Alka Dhadda. The profile of Mr. Vaibhav Dhadda on the matrimonial website (www.jainshubhbandhan.com) shows him as the son of Mr. Virender Dhadda and Ms. Alka Dhadda. Also, both Mr. Vaibhav Dhadda and Ms. Alka Dhadda have Hong Kong Permanent Identity Cards.

3.7.2. The trading account of Ms. Alka Dhadda was opened with Arihant Capital Markets Ltd. on May 23, 2019, which was just before front running trades were carried out in the said trading account. Further, Mr. Vaibhav Dhadda in his statement has submitted that he has opened the trading account of Ms. Alka Dhadda with Arihant Capital market Limited and operated through internet-based facility. The e-mail id given by Ms. Alka Dhadda in her KYC is avidhadda92@gmail.com which indicates that the communication of all the trades in that account were only going to Mr. Vaibhav Dhadda.

3.7.3. Opening of Bank Account and Fund Transfers

The ICICI Bank account (678201502110) in the name of Ms. Alka Dhadda, linked to the aforesaid trading account, was also opened on May 23, 2019 which was just before the period when front running trades were executed. Ms. Alka Dhadda had received funds of Rs.

49,000 from Mr. Vaibhav Dhadda in the new account as per the narration in the bank statement.

3.7.4. Trading History of Ms. Alka Dhadda:

Prior to May 29, 2019 (the day when front running started), Ms. Alka Dhadda did not have any instance of trading in any other security/contract through any trading account. The trades from the trading account of Ms. Alka Dhadda were executed using internet-based trading facility of the trading member. As per IP analysis, it was observed that there were 51 unique IP addresses starting with 182, 157, 61 and 118 from which trades had been effected. The IP starting with 182, 61 and 118 are from Hong Kong, and IP starting with 157 is from Jaipur. Mr. Vaibhav Dhadda is an employee of Fidelity Group and he was working in Hong Kong. In her statement to SEBI, Ms. Alka Dhadda has submitted that her trading account was managed by her son i.e. Mr. Vaibhav Dhadda. In his statement, Mr. Vaibhav Dhadda has submitted on oath that he has indulged in front running as alleged in the Interim Order and the Confirmatory Order.

3.7.5. Considering the facts brought out above, it is seen that the relationship between Ms. Alka Dhadda and Mr. Vaibhav Dhadda is that of mother and son. Thus, in view of this close relationship, along with the contributing facts brought out hereinabove, it is *prima facie* established that orders placed from the account of Ms. Alka Dhadda were being placed by Mr. Vaibhav Dhadda.

3.8. Connection between Vaibhav Dhadda and Arushi Dhadda

3.8.1. In his statement, Mr. Vaibhav Dhadda has submitted on oath that Ms. Arushi Dhadda is his sister. The nomination details filed in the account opening form of Ms. Arushi Dhadda with ICICI Bank Ltd. show Ms. Alka Dhadda as her mother. Ms. Arushi Dhadda's PAN details show Mr. Virender Dhadda as her father. Thus, Ms. Arushi Dhadda is the

daughter of Ms. Alka Dhadda and Mr. Virender Dhadda, and hence, sister of Mr. Vaibhav Dhadda.

3.8.2. The trading account of Ms. Arushi Dhadda was opened with Arihant Capital Markets Ltd. on May 23, 2019, which was just before front running trades were carried out in the said trading account. Further, Mr. Vaibhav Dhadda in his statement has submitted that he opened the trading account of Ms. Arushi Dhadda with Arihant Capital Markets Limited, and operated it through internet-based facility. The e-mail id given by Ms. Arushi Dhadda in her KYC is avidhadda92@gmail.com which indicates that the communication of all the trades in that account were only going to Mr. Vaibhav Dhadda.

3.8.3. Opening of Bank Account and Fund Transfers
The ICICI Bank account (678201502111) in the name of Ms. Arushi Dhadda, linked to the aforesaid trading account, was also opened on May 23, 2019 which was just before the period when front running trades were executed. It is seen that Ms. Arushi Dhadda received an amount of Rs. 2,00,000 from Ms. Alka Dhadda on the same day when the bank account was opened, and thereafter an amount of Rs. 15,00,000 was credited to her account on August 17, 2019 by Ms. Alka Dhadda. Ms. Arushi Dhadda is shown as a “student” in the KYC of the trading account.

3.8.4. Trading History of Ms. Arushi Dhadda
Prior to May 29, 2019 (the day when front running started), Ms. Arushi Dhadda did not have any instance of trading in any other security/contract through any trading account.

3.8.5. The trades from the trading account of Ms. Arushi Dhadda maintained were executed using internet-based trading facility of the trading member. As per IP analysis, it was observed that there were 10 unique IP addresses starting with 182, 157 and 61 from which trades had

been effected. The IP starting with 182 and 61 are from Hong Kong, and IP starting with 157 is from Jaipur. Mr. Vaibhav Dhadda is an employee of Fidelity Group and he was working in Hong Kong. In her statement to SEBI, Ms. Arushi Dhadda has submitted that her trading account was managed by her brother i.e. Mr. Vaibhav Dhadda. In his statement, Mr. Vaibhav Dhadda has submitted on oath that he has indulged in front running as alleged in the Interim Order and the Confirmatory Order.

- 3.8.6. Considering the facts brought out above, it is seen that the relationship between Ms. Arushi Dhadda and Mr. Vaibhav Dhadda is that of sister and brother. Thus, in view of this close relationship, along with the contributing facts brought out hereinabove, it is *prima facie* established that the orders placed from the account of Ms. Arushi Dhadda were being placed by Mr. Vaibhav Dhadda.

3.9. Connection between Mr. Vaibhav Dhadda and Mr. Aditya Barla

- 3.9.1. In his statement, Mr. Vaibhav Dhadda has submitted that Mr. Aditya Barla was his friend, and he had known him for the last two-three years. It was also submitted that he had travelled with Mr. Aditya Barla and his wife Ms. Ishu Soni from Hong Kong to Manila on a family trip. Fidelity Group conducted an internal investigation on the conduct of Mr. Vaibhav Dhadda, which includes forensic review of Mr. Vaibhav Dhadda's desktop, personal mobile etc. Consequent to this, vide email dated October 29, 2020 to SEBI, Fidelity Group submitted copy of an air travel ticket, in which Mr. Vaibhav Dhadda and Mr. Aditya Barla travelled from Hong Kong to Manila on April 2019 on the same PNR. Mr. Vaibhav Dhadda had booked the tickets; hence, Mr. Vaibhav Dhadda received the ticket through an email. In his statement, Mr. Vaibhav Dhadda has submitted that he had shared Big Clients'

(Fidelity Group entities) trade information with Mr. Aditya Barla before Big Clients' trade execution as he used to get the information regarding the trades to be executed one day before the actual day of trading. In his statement, Mr. Vaibhav Dhadda has also submitted that he had discussed with Mr. Aditya Barla about SEBI's investigation, and that SEBI was seeking information from him with respect to their relationship. In her statement, Ms. Arushi Dhadda has also submitted that she knows Mr. Aditya Barla and his wife, Ms. Ishu Soni. It is seen that Mr. Aditya Barla is/was a friend of Ms. Arushi Dhadda on the social-networking site, Facebook. By way of an email dated August 11, 2020, Ms. Alka Dhadda informed that she had sold a gemstone ring to Mr. Aditya Barla. Regarding this transaction, Ms. Alka Dhadda in her statement has submitted that she had sold her ring to Mr. Aditya Barla in Hong Kong at a jeweler store. Mr. Aditya Barla had given her 20,000 Hong Kong dollars as a security. After Mr. Aditya Barla had transferred Rs. 2,00,000 to her Indian bank account she returned the 20,000 Hong Kong Dollars to him. From the bank statement of Ms. Alka Dhadda, it was observed that she had received money from Mr. Aditya Barla on May 17 & 19, 2019 in her Indian bank account for the said sale.

3.9.2. Placement of orders of Mr. Aditya Barla (IP Address analysis)

The trades from the trading account of Mr. Aditya Barla maintained with Arihant Capital Markets Ltd. were executed using internet based trading facility of the trading member. As per the IP analysis, it was observed that there were 129 unique IP addresses through which trading was being carried out. Some of the IP addresses, which were starting with 103, 112, 124, 182, 203, 210, 218, 58 and 61 are from Hong Kong and some of the IP addresses starting with 122 and 180 are from Philippines.

3.9.3. Mr. Aditya Barla works in Hong Kong and he has been living in Hong

Kong since the last three years. As brought out before, Mr. Aditya Barla is a close friend of Mr. Vaibhav Dhadda and Facebook friend of Ms. Arushi Dhadda. Further, Mr. Vaibhav Dhadda in his statement has submitted that he shared Big Clients' trade information with Mr. Aditya Barla one day before the placement of the orders on behalf of Fidelity. Orders were placed from the trading account of Mr. Aditya Barla through Philippines IP address on April 18, 2019 and April 22, 2019. Mr. Vaibhav Dhadda and Mr. Aditya Barla went on a holiday from Hong Kong to Manila (Philippines) on April 18, 2019 and returned to Hong Kong on April 22, 2019. Therefore, Mr. Aditya Barla and Mr. Vaibhav Dhadda were together on both the days.

- 3.9.4. Considering the facts brought out above, it is seen that Mr. Vaibhav Dhadda was clearly known to Mr. Aditya Barla. Mr. Vaibhav Dhadda also went on a holiday with Mr. Aditya Barla and Mr. Barla's wife. Further, Ms. Arushi Dhadda, the sister of Mr. Vaibhav Dhadda, is known to Mr. Aditya Barla and his wife, Ms. Ishu Soni. Thus, in view of the friendship between Mr. Vaibhav Dhadda and Mr. Aditya Barla, along with the contributing facts brought out in the preceding paragraphs, it is *prima facie* established that the orders placed from the account of Mr. Aditya Barla were being placed by Mr. Aditya Barla, at the instance of Mr. Aditya Barla or Mr. Vaibhav Dhadda.

3.10. Connection between Mr. Vaibhav Dhadda and Mr. Sumit Kanungo

- 3.10.1. Mr. Sumit Kanungo, in his statement to SEBI, has submitted that Ms. Riya Jain, his wife, had financial transactions with Ms. Alka Dhadda, and she had taken a loan of approximately Rs.15 lakh from Ms. Alka Dhadda. In this regard, the bank statements of the said entities were further analyzed. It is seen that Ms. Alka Dhadda had transferred Rs. 15 lakh to Ms. Riya Jain on August 27, 2019. On the same day, Ms.

Riya Jain (Kanungo) transferred Rs. 12.5 lakh to Mr. Sumit Kanungo. Further, on the same day, Mr. Sumit Kanungo transferred Rs. 12 lakh (Out of the money received from Ms. Riya Jain) to Indira Securities Private Limited *prima facie* for front running the trades of the Big Clients i.e. Fidelity Group entities. Front running trades started next day i.e. August 28, 2019 from Mr. Sumit Kanungo's trading account maintained with Indira Securities Private Limited. Further, it was observed that there were multiple bank entries where funds have been transferred by Ms. Riya Jain to Ms. Arushi Dhadda. The funds were transferred on October 03, 2019, which was after the front running activities were being carried out. Hence, *prima facie* the profits earned from front running the trades were shared by Ms. Riya Jain with the Dhadda Family.

- 3.10.2. Fidelity Group vide email dated November 12, 2020 submitted to SEBI an excel file which they have recovered from the desktop of Mr. Vaibhav Dhadda. The Excel file was named 'Riya Jain', and it was observed that the said file contained details of certain financial transactions. From the file it was observed that initial 'A' would stand for 'Avi' (Vaibhav Dhadda) and initial 'R' would stand for 'Riya Jain'; and a total amount of Rs. 9,90,290 has been divided between Mr. Vaibhav Dhadda and Ms. Riya Jain in the ratio 85:15 as for every entry, 85% has been allocated to Mr. Vaibhav Dhadda and the remaining 15% has been allocated to Ms. Riya Jain. Further, it is also observed that Mr. Sumit Kanungo earned a total profit of around Rs. 12 Lakh, as detailed in the subsequent Paragraphs by front running the trades of impending orders of Fidelity group entities.
- 3.10.3. Hence, it *prima facie* appears that the bank entries found in the bank statement of Ms. Alka Dhadda, Ms. Arushi Dhadda, Mr. Sumit Kanungo and Ms. Riya Jain (Kanungo) do not arise from any loan

transaction; rather those transactions *prima facie* are financing transaction for carrying out front running activities and the profit generated from such activities.

3.10.4. Trading account of Mr. Sumit Kanungo was opened with Indira Securities Private Limited on July 25, 2019 which was just before the period when the front running trades were executed from his account. Apart from this trading account, Mr. Sumit Kanungo has 5 other trading accounts with different trading members which were opened during 2007 to 2016. *Prima facie*, it appears that the aforesaid trading account with Indira Securities Private Limited was specifically opened for carrying out trades based on front running impending orders of Big Clients.

3.10.5. Placement of orders of Mr. Sumit Kanungo (IP Address analysis)
The trades from the trading account of Mr. Sumit Kanungo maintained with Indira Securities Private Limited were executed using internet based trading facility of the trading member. In his statement, Mr. Sumit Kanungo has submitted that he and his wife Ms. Riya Jain (Kanungo) both were operating his trading account. Further, it was also submitted by both of them that they have never travelled to Hong Kong and they don't even have passports. Details provided by the Trading Member were analysed and it was observed that majority of the orders were placed from Hong Kong IP Address. As stated above, Mr. Vaibhav Dhadda was working in Hong Kong and as established above he and his family were connected to Ms. Riya Jain and Mr. Sumit Kanungo. So, it is *prima facie* concluded that Mr. Vaibhav Dhadda was instrumental and responsible for placing orders from Mr. Sumit Kanungo's trading account for orders placed using Hong Kong's IP address. The other orders were being placed by Mr. Sumit Kanungo and Ms. Riya Jain from the trading account of Mr. Sumit Kanungo

based on the information shared by Mr. Vaibhav Dhadda.

3.10.6. Trading History of Mr. Sumit Kanungo

Mr. Sumit Kanungo had traded on 21 trading days during the Investigation Period (August 28, 2019 to November 30, 2019). Prior to August 28, 2019, Mr. Sumit Kanungo had executed his last trade 3 years before i.e. on October 18, 2016 from another trading account.

3.10.7. Considering the facts brought out above, it is seen that Ms. Riya Jain had financial transactions with Ms. Alka Dhadda. The funds transferred to Ms. Riya Jain by Ms. Alka Dhadda were in turn transferred by her to Mr. Sumit Kanungo, who was her husband. These funds were then used by Mr. Sumit Kanungo to place orders. Further, an Excel file bearing the name 'Riya Jain' was discovered from Vaibhav Dhadda's computer, whose contents purport to the distribution of profits earned as a consequence of front running between Ms. Riya Jain/ Mr. Sumit Kanungo and Mr. Vaibhav Dhadda. Thus, in view of the emergence of clear connection between Ms. Riya Jain/ Mr. Sumit Kanungo on one hand and Ms. Alka Dhadda/Mr. Vaibhav Dhadda, along with the contributing facts brought out in the preceding paragraphs, it is *prima facie* established that the orders placed from the account of Mr. Sumit Kanungo were being placed by Mr. Sumit Kanungo/ Ms. Riya Jain at the instance Mr. Vaibhav Dhadda or by Mr. Vaibhav Dhadda himself.

3.11. Connection between Mr. Vaibhav Dhadda and Ms. Beena Jain

3.11.1. As per the submissions made by Ms. Beena Jain, she is 58 years and she is living in Indore for the past 5 years. Further, as per her submissions, her health has not been well and that's why she could not come for statement recording on issuance of summons for personal appearance. Fidelity Group, vide email dated October 29, 2020 submitted to SEBI, shared an email copy wherein the PAN card

of Ms. Beena Jain had been shared by Mr. Vaibhav Dhadda's gmail account with his official (i.e. Fidelity) email id. On both sides of the said email was Mr. Vaibhav Dhadda i.e. the recipient and the sender of the copy of the PAN card on email. In his statement, Mr. Vaibhav Dhadda has submitted that he is the only one who had access to his gmail and official email id, and that he did not remember when this PAN card was shared from his gmail account with his official email id. Date of the email is September 16, 2019 and front running activities in Ms. Beena Jain's trading account was also observed during the same time period i.e. August 28, 2019 to November 26, 2019.

- 3.11.2. Ms. Beena Jain has submitted that she has not been operating her account. Her account has been opened by her son Mr. Prashant Jain. In his statement, Mr. Prashant Jain has submitted that he opened the trading account on behalf of his mother Ms. Beena Jain. His mobile number and email id had been provided in Ms. Beena Jain's trading account/KYC.
- 3.11.3. The trading account of Ms. Beena Jain was operated by Mr. Pranay Vaid, who is a very good friend of Mr. Prashant Jain. Mr. Prashant Jain was aware about the trades executed in his mother's account.
- 3.11.4. Opening of Trading Account of Ms. Beena Jain
The trading account of Ms. Beena Jain was opened with Arihant Capital Market Limited on August 23, 2019, which was just before the period when the front running trades were executed in her account. It was also observed that apart from this trading account Ms. Beena Jain had one other trading account with Nirman Share Brokers Pvt. Ltd. which was opened in 2017. Hence, it *prima facie* appears that the aforesaid trading account with Arihant Capital Market Limited was specifically opened for front running the trades of Big clients.
- 3.11.5. Placement of orders of Ms. Beena Jain (IP Address analysis)

The trades from the trading account of Beena Jain maintained with Arihant Capital Markets Ltd. were executed using internet based trading facility of the trading member. As per IP analysis, it was observed that there were 18 unique IP Address for the trades carried out from her account. Out of the said 18 unique IP addresses, IP address starting with 182, 14 and 61 are from Hong Kong and IP address starting with 27, 142 and 178 are from Indore, Bengaluru and Singapore respectively. Further, orders placed from the IP address starting with 27 was on November 14, 2019, Orders from the IP address starting with 142 was on November 01, 2019 and orders placed from the IP address starting with 178 were on November 4 and 7, 2019. In his statement, Mr. Prashant Jain (Son of Ms. Beena Jain) submitted on oath that he and his friend Mr. Pranay Vaid were operating the trading account of Ms. Beena Jain. Further, it was submitted by both Mr. Prashant Jain and Mr. Pranay Vaid that they had never travelled to Hong Kong. Furthermore, Mr. Prashant Jain could not explain as to how, if he hadn't travelled to Hong Kong, then how could he place orders in the account of Ms. Beena Jain from an IP address in Hong Kong. In his statement, Mr. Pranay Vaid has submitted that he and his team on instructions were placing orders from the trading account of Ms. Beena Jain, but subsequently submitted that he had no idea with regard to the *modus operandi* adopted for placing the orders from the trading account of Ms. Beena Jain. Mr. Vaibhav Dhadda works in Hong Kong and he had a copy of the PAN Card of Ms. Beena Jain on his computer.

3.11.6. Trading History of Ms. Beena Jain

Ms. Beena Jain had traded on 23 trading days during the investigation period (August 23, 2019 to November 26, 2019). Prior to August 23, 2019, Ms. Beena Jain has executed her last trade 2 years before i.e.

on December 26, 2017 through another trading member (Nirman Share Brokers Pvt.Ltd). Hence, Ms. Beena Jain was not an active trader in the securities market prior to the investigation period.

- 3.11.7. Considering the facts brought out above, it is seen that trades were executed from Hong Kong, even though Ms. Beena Jain, in whose account the trading activity has taken place, has never been to Hong Kong. Similarly, Mr. Pranay Vaid and Mr. Prashant Jain, who were operating the trading account of Ms. Beena Jain, had also not been to Hong Kong. Further, Mr. Vaibhav Dhadda had access to the PAN card of Ms. Beena Jain, which he had sent from his gmail account to his official email account of Fidelity. Thus, in view of the emergence of the fact that Ms. Beena Jain, Mr. Prashant Jain and Mr. Pranay Vaid are directly/indirectly associated/connected with Mr. Vaibhav Dhadda, along with the contributing facts brought out in the preceding paragraphs, it is *prima facie* established that the orders placed from the account of Ms. Beena Jain were being placed by Mr. Prashant Jain/Mr. Pranay Vaid, at the instance of Mr. Vaibhav Dhadda or by Mr. Vaibhav Dhadda himself.

3.12. Connection between Mr. Vaibhav Dhadda and Pramod Jain (HUF)

- 3.12.1. Mr. Pramod Jain has submitted that he has not been operating his account. His account has been opened by his son Mr. Siddharth Jain. In his statement, Mr. Siddharth Jain has submitted that his friend Mr. Pranay Vaid has been operating the trading account of Pramod Jain (HUF) with Arihant capital market Ltd. He has further submitted that he was aware about the trades executed by Mr. Pranay Vaid in Pramod Jain HUF's trading account. Mr. Pranay Vaid submitted that he and his team have been operating trading accounts of Pramod Jain (HUF). Further, Mr. Pranay Vaid was known both to Mr. Siddharth Jain,

son of Mr. Pramod Jain and Mr. Prashant Jain, son of Ms. Beena Jain.

3.12.2. Opening of Trading Account of Pramod Jain (HUF)

The trading account of Pramod Jain (HUF) was opened with Arihant Capital Market Limited on Feb 21, 2019. The e-mail id given in Pramod Jain (HUF)'s trading account as per the KYC documents is siddharthjain974@gmail.com and the Mobile number provided is that of Mr. Siddharth Jain, indicating that the communication of trades in that account would go to Mr. Siddharth Jain.

3.12.3. Placement of orders of Pramod Jain (HUF)(IP Address analysis)

The trades from the trading account of Pramod Jain (HUF) maintained with Arihant Capital Markets Ltd. were executed using internet based trading facility of the trading member. As per the IP analysis, it was observed that there were 26 unique IP Address starting with 182 which is located in Hong Kong. In their statements both Mr. Siddharth Jain (Mr. Pramod Jain's son) and Mr. Pranay Vaid, who were operating the trading account of Pramod Jain (HUF), have submitted that they have never travelled to Hong Kong. Hence, it is concluded that they were not placing the orders in Pramod Jain (HUF)'s trading account, which were being placed from Hong Kong. Further, Mr. Siddharth Jain could not explain as to how, if he hadn't travelled to Hong Kong, could he place orders in the account of Pramod Jain (HUF) from an IP address in Hong Kong.

3.12.4. Trading History of Pramod Jain (HUF)

The trading history of Pramod Jain (HUF) shows that he has traded 23 trading days during investigation period (September 12, 2019 to October 31, 2019). Further, prior to September 12, 2019, Pramod Jain (HUF) has executed only six trades during the years 2017 and 2018. Hence, Pramod Jain (HUF) was not an active trader in the securities market prior to the investigation period.

3.12.5. Considering the facts brought out above, it is seen that trades were executed from Hong Kong, even though Mr. Pramod Jain, in whose account the trading activity has taken place, has never been to Hong Kong. Similarly, Mr. Pranay Vaid and Mr. Siddharth Jain, who were operating the trading account of Pramod Jain, had also not been to Hong Kong. Thus, in view of the emergence of the fact that Mr. Pramod Jain, Mr. Siddharth Jain and Mr. Pranay Vaid are directly/indirectly associated/connected with Mr. Vaibhav Dhadda, along with the contributing facts brought out in the preceding paragraphs, it is *prima facie* established that the orders placed from the account of Pramod Jain (HUF) were being placed by Mr. Siddharth Jain / Mr. Pranay Vaid, at the instance of Mr. Vaibhav Dhadda or Mr. Vaibhav Dhadda.

3.13. The dates on which the above-mentioned Noticees carried out front running trades with various funds of Fidelity Group mentioned above were as follows:

- 3.13.1. During the Investigation Period, front running trades activities were *prima facie* observed in the trading account of Ms. Alka Dhadda during the period from May 29, 2019 to August 23, 2019.
- 3.13.2. During the Investigation Period, front running trades activities were *prima facie* observed in the trading account of Ms. Arushi Dhadda during the period from May 29, 2019 to August 23, 2019.
- 3.13.3. During the Investigation Period, front running trades activities were *prima facie* observed in the trading account of Mr. Sumit Kanungo during the period from August 28, 2019 to November 30, 2019.
- 3.13.4. During the Investigation Period, front running trades were *prima facie* observed in the trading account of Ms. Beena Jain from August 23, 2019 to November 26, 2019.
- 3.13.5. During the Investigation Period, front running trades were *prima facie* observed in the trading account of Mr. Aditya Barla from February 01,

2019 to May 31, 2019.

3.13.6. During the Investigation Period, front running activities were *prima facie* observed in the trading account of Pramod Jain (HUF) from September 12, 2019 to October 31, 2019.

3.14. In accordance with the above, the unlawful gains made by the entities pursuant to front running is detailed hereunder:

Person responsible for disgorgement of profit joint and severally	Total Unlawful gains (Rs.)	Amount already impounded (Rs.)
Aditya Barla & Vaibhav Dhadda	27,81,831.45	-
Sumit Kanungo, Riya Jain (Kanungo) , Alka Dhadda, Arushi Dhadda and Vaibhav Dhadda	12,02,655.85	-
Beena Jain, Prashant Jain, Pranay Vaid, and Vaibhav Dhadda	36,17,996.35	-
Pramod Kumar Jain (HUF), Siddharth Jain, Pranay Vaid, Vaibhav Dhadda	56,94,558.30	-
Alka Dhadda, Vaibhav Dhadda	2,21,60,465.75	1,86,04,343
Arushi Dhadda and Vaibhav Dhadda	74,598.40	
	3,55,32,106.10	1,86,04,343

3.15. In view of the above, it is alleged that 11 entities viz., 1) Vaibhav Dhadda, 2) Alka Dhadda, 3) Arushi Dhadda, 4) Pramod Jain (HUF), 5) Beena Jain, 6) Aditya Barla, 7) Sumit Kanungo, 8) Prashant Jain, 9) Pranay Vaid, 10) Siddharth Jain, and 11) Riya Kanungo were acting in concert and were fraudulently buying or selling securities in advance of a substantial Big Client order which resulted in violation of Section 12A(a), 12A(b), and 12A(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(q) of PFUTP Regulations, 2003.

4. The SCN called upon Noticees to show cause as to why suitable directions should not

be issued/imposed against them under Sections 11(1), 11(4), 11 (4A), 11B (1) and 11B(2) of the SEBI Act, 1992 for the alleged violations of the provisions of Sections 12A(a), 12A(b), and 12A(c) of SEBI Act, 1992 read with Regulation 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(q) of PFUTP Regulations, 2003, including the following,:

- i) Directing them to disgorge an amount equivalent to the total gains made on account of front running activities carried out by them;
- ii) Directing them to refrain from accessing the securities market and prohibiting them from buying, selling or otherwise dealing in securities for an appropriate period; and
- iii) Imposition of penalty under Section 11 (4A) and Section 11B (2) of SEBI Act, 1992 read with Section 15 HA of SEBI Act, 1992.

5. The SCN also directed that SEBI shall serve upon the aforementioned Noticees all the relevant documents including the relevant extracts of the Investigation Report and the annexures therein. Accordingly, the following Annexures to the Investigation Report (hereinafter referred to as “**IR**”) were served on the Noticees:

- i) Details of connection between Vaibhav Dhadda and Alka Dhadda
- ii) Details of connection between Vaibhav Dhadda and Arushi Dhadda
- iii) Details of connection between Vaibhav Dhadda and Aditya Barla
- iv) Details of connection between Vaibhav Dhadda and Sumit Kanungo
- v) Details of connection between Vaibhav Dhadda and Beena Jain
- vi) Details of connection between Vaibhav Dhadda and Pramod Jain (HUF)
- vii) 105 instances of the trades executed from the trading account of Alka Dhadda around the trading activity of the Fidelity Group entities
- viii) 6 instances of the trades executed from the trading account of Arushi around the trading activity of Fidelity group entities
- ix) 25 instances of the trades executed from the trading account of Sumit Kanungo around the trading activity of the Fidelity Group entities
- x) 34 instances of the trades executed from the trading account of Beena Jain

- around the trading activity Fidelity Group entities
- xi) 30 instances of the trades executed from the trading account of Aditya Barla around the trading activity of any of the Fidelity Group entities
 - xii) 39 instances of the trades executed from the trading account of Pramod Jain (HUF) around the trading activity of the Fidelity Group entities
 - xiii) Vaibhav Dhadda was the trader for the said 21 Fidelity Group entities, and he provided trade instructions to the trading members of all the 21 Fidelity Group entities.

Inspection, reply, hearing and written submissions

6. The SCN was served on all Noticees. The Authorized Representative (hereinafter referred to as “AR”) of Noticee no. 9 and the AR of Noticee nos. 5 and 8 sought inspection of documents which was provided to them on July 02, 2021 and July 07, 2021 respectively. An email dated July 02, 2021 was received from the AR of Noticee no. 9, requesting for additional documents/information and the same was replied to as below:

	Particulars of Information sought by Noticee no. 9	Reply by SEBI
1.	Original Trade Log and Order Log having all the trades executed by Mrs. Beena Jain and M/s Pramod Jain(HUF)in Excel Sheet during the investigation period. The PDF file provided via Email dated 29-06-2021 is either not been legible and/or having incomplete details. Several Columns of Trade Log data are missing in these PDF files. Further, no Order Log data has been provided.	Trade & order details of Beena Jain and Pramod Jain (HUF) received from NSE were provided on July 07, 2021.
2.	Details of IP Addresses and physical/postal Addresses of these IP Address. IP Address will establish wherefrom all the trades had been executed in the accounts of Mrs. Beena Jain and M/s Pramod Jain (HUF). Complete details concerning to all trades of Mrs. Beena Jain and M/s Pramod Jain HUF.	NSE in its report has submitted brief details of the IP address. The extract of the same was provided on July 07, 2021.
3.	How SEBI has reached on the conclusion that the alleged trades in the accounts of Mrs. Beena Jain and M/s Pramod Jain(HUF)were executed by Mr. Vaibhav Dhadda?	The following was informed: <i>'You have sought opinion, therefore, you are requested to bring up such issues in your reply to Interim cum SCN Order dated June 07, 2021.</i>
4.	On what basis it was alleged in the said Order that my client had any role in execution of the alleged trades in the accounts of Mrs. Beena Jain and M/s Pramod Jain HUF. Are the allegation against my client based on statements of some entities or any other	<i>Also, statement of certain entities which were</i>

	evidence available on record?	<i>relied upon has already been provided. Further, statement of Prashant Jain is also attached herewith'</i>
5.	Cross examination of those entities whose statements have been relied upon by SEBI against my client while passing the said Order.	The same may be requested in his reply to SCN
6.	Any evidence which connect Noticee no. 9 to Mr. Vaibhav Dhadda, if available.	Document relied upon already provided to the client.
7.	Copy of the Investigation Report with all annexure	Relevant extracts of the investigation report are part of the Interim Order dated June 07, 2021. The same was informed to the AR/Noticee.
8.	Communication exchanged with Fidelity Group as referred in the said Order.	Communication exchanged with Fidelity group which has been relied upon was shared with the AR/Noticee.

7. Further, during the course of the proceedings *inter alia* the following documents have been made available to the Noticees:

Name of Noticee to whom documents were provided	List of Documents/Annexures	Date of email by which the documents were provided
Vaibhav Dhadda	- Statement and Submissions of Vaibhav Dhadda, Alka Dhadda, Arushi Dhadda, Prashant Jain, Pranay Vaid - UCC Details - Trade Details - KYC Documents - Fidelity Reply - Bank Statements - IP Address Details - Email of PAN Card of Beena Jain as obtained from Vaibhav Dhadda's email id - Reply from the Broker Copy of Air Ticket of Phillipines	June 30, 2021
Alka Dhadda and Arushi Dhadda	- Statement and Submissions of Vaibhav Dhadda, Alka Dhadda and Arushi Dhadda - UCC Details - Trade Details - KYC Documents - Fidelity Reply	June 30, 2021
Aditya Barla	- KYC Documents - UCC Details - Trade Details - Submissions of Aditya Barla - Statement of Vaibhav Dhadda, Alka Dhadda and Arushi Dhadda	June 30, 2021 and September 23, 2021

	• IP Address Details • Snapshot of facebook profile • Copy of Air Ticket of Philippines	
Pramod Jain(HUF)and Siddharth Jain	• Copy of the Interim and Confirmatory Order dated December 04, 2019 and June 15, 2020 respectively. • IP Address Details • KYC Documents • Trade Details • UCC Details • Statement and submissions of Pranay Vaid and Pramod Jain	June 17, 2021
Beena Jain and Prashant Jain	• IP Address Details • KYC Documents • Trade Details • UCC Details • Statement of Prashant Jain • Statement of Pranay Vaid • Statement of Vaibhav Dhadda • Reply of Beena Jain • Email of PAN Card of Beena Jain as obtained from Vaibhav Dhadda's email id • Reply of Pranay Vaid	June 30, 2021 and October 21, 2021
Pranay Vaid	• Copy of the Interim and Confirmatory Order dated December 04, 2019 and June 15, 2020 respectively. • IP Address Details • KYC Documents • Trade Details • UCC Details • Statement and submissions of Prashant Jain, Pranay Vaid and Siddharth Jain • Statement of Vaibhav Jain • Email of PAN Card of Beena Jain as obtained from Vaibhav Dhadda's email id • Reply of Beena Jain • Extract of NSE Report • Fidelity Letter	June 29, 2021 and July 07, 2021
Sumit Kanungo and Riya Jain (Kanungo)	• Bank Statements • KYC Documents • Trade Details • UCC Details • Statement of Riya Jain and Sumit Kanungo • Fidelity Reply • Reply from the Broker	June 30, 2021

8. The replies received from the Noticees on the following dates have been dealt at appropriate places where contentions raised by these Noticees have been discussed:

Sr. No.	Reply on behalf of	Date of reply
1	Ms. Beena Jain and Mr.	July 05, 2021

	Prashant Jain (Noticee nos. 5 and 8)	
2	Pramod Jain(HUF)and Mr. Siddharth Jain (Noticee nos. 4 and 10)	July 14, 2021
3	Mr. Pranay Vaid (Noticee no. 9)	July 18, 2021
4	Mr. Vaibhav Dhadda, Ms. Alka Dhadda and Ms. Arushi Dhadda (Noticee nos. 1, 2 and 3)	July 21, 2021
5	Mr. Aditya Barla (Noticee no. 6)	August 09, 2021

9. Based on the replies of the Noticees and in compliance with the principles of natural justice, an opportunity of personal hearing was granted to all Noticees on September 08, 2021. On the said date the following ARs appeared in person for hearing and made submissions:

- i) AR of Noticee nos. 4, 10 along with Noticee no. 10.
- ii) AR of Noticee nos. 5 and 8 along with Noticee no. 8.
- iii) AR of Noticee no. 9.
- iv) AR of Noticee no. 6

The following AR/ Noticee appeared through video conferencing facility:

- v) Noticee no. 11 for herself and as AR of Noticee no. 7
- vi) AR of Noticee nos. 1,2 and 3.

10. During the personal hearing, AR for Noticee nos. 4 and 10 and AR of Noticee no. 9 sought copy of the Investigation Report. The AR was informed that the relevant part of the IR has already been incorporated in the SCN and the copy of IR need not be

provided. AR for Noticee no. 4 and 10 has also sought the copy of the statement of Mr. Vaibhav Dhadda (Noticee no.1). The AR was informed that no adverse inference has been drawn against Noticee nos. 4 or 10 based on the statement of Vaibhav Dhadda and thus, the same may not be provided to them. A request for providing the complete order log and trade log in the matter was made by the AR of Noticee nos. 4 or 10. It was informed to the AR that the present matter does not deal with market manipulation and pertains to front running. Accordingly, the details of all the front running trades have been provided to Noticee nos. 4 and 10 and thus the complete order log and trade log need not be provided to them. The AR of Noticee nos. 4 and 10 also sought documents related to the basis of determining which countries the IP addresses (from which impugned trades took place) belong to. It was informed to him that the said details are available in the NSE Report and extracts of the same has been provided to these Noticees. It was also informed to him that information will be sought from NSE to seek any further details regarding the issue, if available with them, and the same, if any, will be provided to the Noticee nos. 4 and 10. The AR of Noticee no. 4 and 10 made submissions on the merits of the case and the hearing *qua* these Noticees were concluded. Noticee nos. 4 and 10 were directed to file their replies within 10 days of receipt of information mentioned above. AR for Noticee no. 6 sought copies of statements of Noticee nos. 2 and 3 (Alka Dhadda and Arushi Dhadda) which have been relied upon in the SCN. AR for Noticee no. 6 made submission on the merits of the case and the hearing *qua* this Noticee was concluded. AR for Noticee no. 9 sought cross examination of Noticee no. 10 (Mr. Siddharth Jain) and Noticee no. 8 (Mr. Prashant Jain) on the ground that their statements have been relied upon in the SCN to aver that Noticee no. 9 was operating the trading accounts of Ms. Beena Jain and Pramod Jain -HUF. It was noted that the statements of Noticee no. 8 and 10 have been relied upon in making the allegation against Noticee no. 9. It was noted that specifically, adverse inference has been drawn, *inter alia* from the reply of Mr. Siddharth Jain to Question no. 5 in his statement and reply of Mr. Prashant Jain to Question no. 5. In view of the same, Noticee no. 9 was granted an opportunity to cross examine Noticee

nos. 8 and 10 on October 21, 2021. The arguments of Noticee no. 9 remained part heard. The AR of Noticee no. 1,2 and 3 made submissions on the merits of the case and the hearing *qua* these Noticees were concluded. The AR of Noticee no. 5 and 8 made submissions on the merits of the case and the hearing *qua* these Noticees were concluded. Noticee no. 11 appeared on behalf of herself and also claimed to be appearing on behalf of Noticee no.7. She made submissions on the merits of the case and the hearing *qua* Noticee no 11 were concluded.

11. An opportunity to cross examine Noticee nos. 8 and 10 was granted to Noticee no.9 on October 21, 2021. Vide email dated October 20, 2021 Noticee no. 10 stated as follows:

“In the present case it is to be noted that both me and Mr. Pranay Vaid are co-noticees and have been alleged to have acted in concert with each other while buying and selling securities in advance of a substantial Big Client Order which resulted in violation of the provisions of SEBI Act and PFUTP Regulations as mentioned in the ex-parte ad-interim order dated 07th June, 2021.

Therefore, in view of the settled position of law I would like to submit that I will not be available for my cross-examination. In case SEBI exonerates me and the ex-parte ad-interim order dated 07th June, 2021 is quashed and set aside *qua* me, I will happily be available for cross-examination in the present matter.”

Vide email dated October 19, 2021, Noticee no. 8 requested for a copy of the reply of Noticee no. 9 and thereafter, vide email dated October 21, 2021 requested for an adjournment of the cross examination so that they may understand the reply of Noticee no.9. On October 21, 2021 the AR of Noticee no. 9 also did not appear and vide email dated October 21, 2021 informed that he was indisposed. Thereafter another opportunity of cross examination was granted on November 23, 2021. Noticee no. 8 made himself available for the same. On completion of cross examination, the hearing *qua* Noticee no. 9 was also concluded. Vide email dated September 30, 2021 Noticee no. 10 was informed that the basis of determining the IP address information was sought from NSE and on the basis of information provided by NSE, it is observed that the relevant information has already been provided to Noticee no. 10 vide email dated

June 17, 2021.

12. The following written submissions have been received from the Noticees post hearing/ cross examination:
 - i) Written submissions dated September 18, 2021 and additional written submissions dated January 16, 2022 from Mr. Prashant Jain and Ms. Beena Jain
 - ii) Written submissions dated October 21, 2021 from Mr. Siddharth Jain and Pramod Jain- HUF
 - iii) Written submissions dated January 03, 2022 from Mr. Pranay Vaid
 - iv) Written submissions dated January 25, 2022 from Mr. Aditya Barla
13. Noticee nos. 7 and 11, have not submitted any reply to the SCN on merits and vide emails dated June 14, 2021 and June 23, 2021 had requested SEBI to defreeze their bank accounts and Vide email dated June 16, 2021 and June 24, 2022, they were advised to be guided by the order dated June 07, 2021 and comply with the directions in the said order. Thereafter they have provided the list of assets vide email dated July 03, 2021 and thereafter made requests for defreezing their bank accounts vide various emails.
14. The various submissions made by the Noticees in their reply to the SCN and submissions made during the course of the hearing, are summarised as hereunder:
 - A. Vide a letter dated July 21, 2021 Noticee nos. 1, 2 and 3 have made the following submissions:
 - a) *They had not been provided with the copy of the Investigation Report for Pramod Jain, Beena Jain, Aditya Barla, Sumit Kanungo and Riya Jain along with its annexures.*
 - b) *It has also been alleged in the captioned order that the trading in several accounts was done at the instance of Vaibhav Dhadha. However, SEBI has not even provided the statement recorded of those other entities.*

- c) *Vaibhav Dhadda has accepted that he was in possession of the information of the impending trades of Fidelity Group Entities (which was not available in public domain) and has traded in the account of Alka Dhadda and Arushi Dhadda based on such information. However, it is submitted that Vaibhav Dhadda was not the only one aware of the impending trades of Fidelity Group Entities. Fidelity Group has one trading portal/trading platform in which ALL the traders of Fidelity Group (a team of about 10 people) have access to the information regarding Indian Equity Trades.*
- d) *With respect to the allegation of connection of Vaibhav Dhadda with Alka Dhadda and Arushi Dhadda it is again submitted that Alka Dhadda and Arushi Dhadda are the mother and sister of Vaibhav Dhadda respectively and the trades in their trading account were done by Vaibhav Dhadda. Vaibhav Dhadda has already stated before SEBI that he was transacting in Alka Dhadda's and Arushi Dhadda's account and that they did not know anything of the trades carried out in their account.*
- e) *With respect to the allegation of connection of Vaibhav Dhadda with Aditya Barla, it is submitted that the population of Indians in Hong Kong is scarce and thus there is certain level of unity between the Indians in Hong Kong. By this reason Vaibhav Dhadda knew Aditya Barla for the last 2-3 years who was merely a friend. During the hearing Vaibhav Dhadda said that he had shared trade information with Aditya Barla. It submitted that by this he meant discussing broad market conditions, sentiments, stocks that he transact in etc. and possibly what he would trade the next day, but Vaibhav has never disclosed any specific timing of trade when he would be transacting etc. and therefore making a theory of front running with general stock related views and possible trades being taken on the next day is incorrect. Further the admission was only for a specific day and not that it was a regular phenomenon. It is submitted that the statement was taken from Vaibhav Dhadda while informing him that he will get a copy thereof, but after his signature SEBI team never provided a copy thereof and said it can't be shared. Else he would have clarified this point immediately on receiving the statement. Further Vaibhav Dhadda had access to the information regarding impending trades of Fidelity Group only in its office. He could not have transmitted any information without being in office and the fact that the alleged front running trades were placed from 129 unique IP addresses further proves that the same were not placed by Vaibhav Dhadda or at his instance.*
- f) *With respect to the allegation of connection of Vaibhav Dhadda with Sumit Kanungo, it*

is submitted that his father (Virendra Dhadda) knew Riya Jain and used to give her loans. The amount mentioned in paragraph 68 of the captioned order was transferred by his father to Riya Jain through his mother's (Alka Dhadda) bank account. He is not aware as to why and when these funds were transferred by Riya Jain to the bank account of one Sumit Kanungo. Further he is also not concerned as to when and why Sumit Kanungo opened the trading account with Indira Securities Private Limited. He is in no manner related to Sumit Kanungo as alleged in the captioned order. The trades placed from the account of Sumit Kanungo from an IP address belonging to Hong Kong, does not mean that the trades were placed by Vaibhav Dhadda or at his instance. He is not aware as to how Sumit Kanungo placed the orders from an IP address belonging to Hong Kong. With regards the excel file recovered from the computer of Vaibhav Dhadda, it is submitted that the said file does not belong to Vaibhav Dhadda and the same is therefore not commented upon. Vaibhav Dhadda does not recognize an excel file on his desktop at Fidelity.

- g) As a culture at Fidelity Group, traders are allowed to use their personal mobile phones in the dealing and trading room. It is a common hall where traders, compliance team, analysts and IT personnel sit together without any Chinese Wall unlike the culture in India. As a common practice, computers are not manually locked when people are not at their desk. So it may be possible that the file belongs to someone else and does not concern the present matter as mentioned or alleged in the captioned order. Therefore it is submitted that the trades of Sumit Kanungo cannot be alleged to made at the instance of Vaibhav Dhadda and further the fund transfer between Alka Dhadda and Riya Jain cannot lead to infer that the funds were transferred for financing the alleged front running activities of Sumit Kanungo. Infact a scrutiny of trade data provided by SEBI reflects that the alleged trades are intra-day trades done in short span of time and would not even require a huge sum of money to transact.*
- h) With respect to the allegation of connection of Vaibhav Dhadda with one Beena Jain, it is submitted that SEBI has been unable to prove any connection of Beena Jain with Vaibhav Dhadda. Only based on an alleged email from Vaibhav Dhadda's gmail id to Vaibhav Dhadda's office email id (Fidelity), it has been alleged that the two are somehow related. Vaibhav Dhadda has never seen or forwarded any PAN Card of Beena Jain from his gmail id to office id. It has been stated in the captioned order that orders in the trading*

account of Beena Jain were placed from Bengaluru, Indore and Singapore, in this regard it is to be noted that during the investigation period Vaibhav Dhadda had not even travelled to these places and therefore the question of trades being executed at my instance does not arise as neither Vaibhav Dhadda was present at those places nor has SEBI shown as to how any information with regards the impending trades of Fidelity Group Entities was transmitted by Vaibhav Dhadda.

- i) SEBI has also been unable to prove any connection of Vaibhav Dhadda with either Prashant Jain or Pranay Vaid, directly or indirectly. Noticees are not aware as to why and when the trading account of Beena Jain was opened with Arihant Capital Markets Ltd. The trades placed from the account of Beena Jain from an IP address belonging to Hong Kong, does not mean that the trades were placed by Vaibhav Dhadda or at his instance. Noticees are not aware as to how Prashant Jain or Pranay Vaid placed the orders from an IP address belonging to Hong Kong.*
- j) With respect to the allegation of connection of Vaibhav Dhadda with one Pramod Jain HUF, it is submitted that SEBI has not shown as to how Pramod Jain(HUF)is connected with Vaibhav Dhadda, neither has SEBI proved any connection between Vaibhav Dhadda and Pramod Jain, Siddharth Jain or Pranay Vaid. Without proving such connection or link between the entities SEBI cannot allege that the trades in the account of Pramod Jain(HUF)were made at the instance of Vaibhav Dhadda. With regards the allegation that the trades of Pramod Jain(HUF)were being placed from an IP address belonging to Hong Kong and hence were done at the instance of Vaibhav Dhadda, it is submitted that Noticees are not aware as to how Pramod Jain, Siddharth Jain or Pranay Vaid placed the orders from an IP address belonging to Hong Kong and merely because the trades were allegedly placed from Hong Kong does not mean that Vaibhav Dhadda was involved with the same.*
- k) It is submitted that the captioned order is merely based on conjectures and surmises and there is no substantial direct or indirect evidence to show that we had any connection with Beena Jain, Sumit Kanungo or Pramod Jain HUF. To prove a serious offense of 'front running' which is in violation of PFUTP Regulations, a higher degree of proof is required. In the captioned order it has nowhere been established that Vaibhav Dhadda has transmitted any information regarding the impending trades of Fidelity Group Entities.*
- l) From what is stated above it is clear that other than Aditya Barla and Riya Jain none of*

the entities as mentioned in the captioned order are known to the Noticees and except the trades executed in the trading account of Alka Dhadda and Arushi Dhadda, none of the alleged front running trades executed by Beena Jain, Sumit Kanungo or Pramod Jain(HUF) can be attributed to the Noticees. The information about the impending trades of Fidelity Group entities could have been passed on to these entities from other sources as well. As mentioned above there were about 10 traders of Fidelity Group Entities who were aware about its impending trades in the Indian Equity Market. Merely because Vaibhav Dhadda indulged in front running in his mother's and sister's account, does not mean that he did front running in other accounts as well.

- m) It is also important to note that Vaibhav Dhadda is only 27 years old and the job at Fidelity Group was his first ever trading job. He got lured in the easy profit making through front running until the time SEBI passed the ex parte ad interim order. All the transactions in the accounts of Arushi Dhadda and Alka Dhadda were done online by Vaibhav Dhadda. Alka Dhadda and Arushi Dhadda were oblivious to the trading done in their account. The entire family of Vaibhav Dhadda is regretful for the acts done by him.*
- n) Since passing of the ex parte ad interim order the entire family is under a lot of mental and financial stress as Vaibhav Dhadda had to lose his job and was the only earning member in his family, the father of Vaibhav Dhadda is unwell and retired and mother of Vaibhav Dhadda is a homemaker. If penalty is being imposed on us under Section 11(4A) and 11B (2) r/w Section 15HA of the SEBI Act, it is requested that provisions contained under Section 15J of SEBI Act be considered.*

B. *Vide reply dated August 09, 2021 and written submissions dated January 25, 2022, Noticee no. 6 has submitted the following:*

- a) In order to file a detailed and comprehensive reply, the following documents/information are required:*
 - i. copy of the Investigation Report along with the annexures;*
 - ii. complete Trade & Order Log of the trades executed by me and the Fidelity Group Entities;*
 - iii. basis of stating that certain IP codes/addresses belong to Hongkong & Philippines;*
 - iv. statement of Arushi Dhadda & Alka Dhadda;*
 - v. report dated 12th May, 2020 prepared by NSE; &*
 - vi. other documents/information collected during the course of investigation by SEBI.*

- b) The investigation period in the present matter is from 1st February, 2019 to 30th November, 2019, however Noticee's trading account was opened on 29th December, 2017 (KYC documents provided by SEBI) i.e. more than 1 year before the alleged period of front running which is unlike in the case of other entities who opened their trading accounts just before the beginning of alleged front running. He had been regularly trading in the securities market since 2017*
- c) The trading performed in Noticee's trading account was independent and had no concern/relation/connection with the trading done by the Fidelity Group Entities during that period. He was trading in his Demat Account through Internet and had not shared the login id & password for the same with anyone.*
- d) It is to be noted that the investigation period in the present matter is from 1st February, 2019 to 30th November, 2019, however his trading duration is only from 1st February, 2019 to 31st May, 2019 as mentioned in the said Order, which clearly shows that his trading was not based on the trading of Fidelity Group Entities. Assuming whilst vehemently denying the allegations, if he was trading on the basis of the information of impending buy/sell orders of Fidelity Group Entities (at the instance of Vaibhav Dhadda, as alleged) then h would have traded further from*
- e) 1st June, 2019 to 30th November, 2019, which admittedly is not the case.*
- f) The allegation that the trading was done at the instance of one Mr. Vaibhav Dhadda or that it was done on the basis of information shared by Mr. Vaibhav Dhadda of the impending orders of Fidelity Group entities is baseless, said allegation has been made only on the basis that he was in some manner connected or in close proximity with Vaibhav Dhadda, Arushi Dhadda, and Alka Dhadda through social networking site.*
- g) Firstly, it is to be noted that Indians are very scarce in numbers in Hongkong and a lot of Indians have tendency to become a part of any such social groups/associations where they find a group of Indians having an active participation which make Indians feel welcome and comfortable in foreign land. In the same manner, through social groups/mediums, he was acquainted with the name of Mr. Vaibhav Dhadda and other Indian people in Hongkong. Out of these Indian Inhabitants in Hongkong, few of them were planning for a trip to Manila during Easter Holidays and since it's a small-knit society, he and his wife Ishu Soni thought of joining the group as they knew 2 people in the group (not Mr. Vaibhav Dhadda). This is how he travelled with Vaibhav Dhadda and*

some other Indians just once to Manila during Easter holidays in 2019. He has no kind of any personal/professional bonding with him. I repeat, reiterate and re-affirm that he doesn't know Mr. Vaibhav Dhadda personally at all.

- h) Other than that, Noticee is in no manner connected to Vaibhav Dhadda and neither has he shared any kind of information of any impending orders of Fidelity Group entities with the Noticee.*
- i) In respect of the allegation that he had placed orders in his trading account on 18th April, 2019 and 22nd April, 2019 from Philippines (while he was on holiday with Mr. Vaibhav Dhadda) is completely baseless and unjustified. As per the trade details provided by SEBI there were no such orders placed by him during 18th April, 2019 to 22nd April, 2019. The said allegation is completely baseless and further substantiates his submission that the trading done by him was completely independent and not based on the information provided by one Mr. Vaibhav Dhadda. It is submitted that no orders were placed by him from Philippines. SEBI should bring on record on what basis it is stating that few orders of alleged front running were placed by him from Philippines while on holiday with Vaibhav Dhadda.*
- j) Assuming whilst vehemently denying the allegations (i.e. without admitting), if at all Vaibhav Dhadda was passing on information to the Noticee with respect to impending buy/sell orders of Fidelity Group Entities, he would have traded while in Philippines or would have continued the alleged front running even post 31st May, 2019, as admittedly that's not the present case. The aforesaid submissions together outrightly proves that his trades were independent and were not based on the impending buy/sell trades of Fidelity Group Entities and/or by information passed by one Mr. Vaibhav Dhadda, as alleged or at all.*
- k) With respect to the allegation of him/his wife having connection with Ms. Arushi Dhadda, it is submitted that she might be knowing Noticee's wife Ishu Soni because of the Indian social groups/associations floating in Hongkong, however he and his wife do not personally know her, and they have no close relationship with her. Just being on the friend list of a person on Facebook or any other social media network does not in any way establish a close relationship or even for that matter a friendship relation with that person/individual. Further, he wishes to cross examine Arushi Dhadda as SEBI is relying on the statement made by her.*

- l) With respect to the allegation of connection with Alka Dhadda, it is an admitted position that she had sold a gemstone ring to the Noticee for a sum of Rs. 2,00,000/-, because of which there was a financial transaction between the Noticee and her on 17th and 19th May, 2019. Other than that, there was no relation or proximity with Ms. Alka Dhadda. As the Noticee is a dealer in gemstones and jewellery in Hongkong, she was just like one amongst other individuals who would approach the Noticee only in respect of dealing in gemstones. Ms. Alka Dhadda had approached him for selling the said gemstone ring.*
- m) The allegations in the captioned order are merely based on conjectures and surmises and there is no substantial or direct or indirect evidence to show that the Noticee had any connection with Vaibhav Dhadda or that the trades in his trading account were at the instance of Mr. Vaibhav Dhadda on any impending buy/sell orders of Fidelity Group Entities. To prove such a serious offense of 'front running' which is in violation of PFUTP Regulations, a higher degree of proof is required.*
- n) It is further to be noted that no entity was induced to trade because of the trades executed by the Noticee, neither has the same been alleged in the captioned order. It is reiterated that in the present matter, the allegations are merely based on surmises and conjectures. No substantial connection/relation/association has been made between the Noticee and Vaibhav Dhadda or the impending buy/sell order of Fidelity Group Entities.*
- o) Without prejudice to the above, if at all it is held that the Noticee had indulged in an act of front running and is liable to disgorge the amount of profit made because of the front running, it is requested that the same be recalculated after providing his complete trade details (taking into consideration the loss made by me during the investigation period) and also the brokerage and taxes paid etc. Further it is to be noted that profit made by each entity has been quantified in the said Order and therefore the Noticee cannot be made liable to jointly and severally disgorge an amount of Rs. 2,06,44,257/- with other entities. Also, if the penalty is being imposed under Section 11(4A) and 11B (2) r/w Section 15HA of the SEBI Act, it is requested that provisions contained under Section 15J of SEBI Act be considered.*
- p) The losses incurred by him in the purported front run trades should be allowed to be deducted from the disgorgement amount*

C. Vide reply dated July 05, 2021, and written submissions dated September 18, 2021

and January 16, 2022 Noticee no. 5 and 8 have submitted the following:

- a) *They denied the allegation, statements, claims and contentions made in the order.*
- b) *The Order is devoid of merits and is based merely on the finding of alleged copy of PAN Card of Beena Jain in email of the said Mr. Vaibhav Dhadda to whom they are not related in any manner whatsoever nor were they aware about him prior to investigation of the subject matter. They have been scapegoated in the subject matter which needs to be set aside to the extent of alleged observations made against them.*
- c) *Mr. Prashant Jain had sometime on or around August 2019 had opened a trading account in the name of our Beena Jain with Arihant Capital Markets Ltd. who are the registered members across various stock exchanges and accordingly Beena Jain was assigned the account no. 900100019 (hereinafter referred to as the said account). Due to the serious and critical health issues faced by Mrs. Beena Jain who has been suffering from an auto-immune disease, the said Account was also accessed by her son Mr. Prashant Jain.*
- d) *Although the said account was opened by them, they had never done even a single trade in the said account and the entire trades including the alleged trades were done by Mr. Pranay Vaid in the said account.*
- e) *Mr. Prashant Jain had accordingly appeared before the concerned Investigating Officer via Video Conference in their office in Indore, Madhya Pradesh thereby appraising him about the true and correct facts of the subject matter whereby he had categorically clarified that neither Ms. Beena Jain nor Prashant Jain nor any of his family members are aware of any members of the Dhadda family, the primary suspects in the subject matter nor are they related to them in any manner whatsoever. Further, Mr. Pranay Vaid was given the Login ID & Password of the said account and that all the alleged trades from the said accounts have been carried out by the said Mr. Pranay Vaid.*
- f) *Neither they nor any member of their family are in any manner connected to the said Mr. Vaibhav Dhadda or any of his relatives, nor have they ever travelled to Hong Kong or any other place as alleged in the above referred order. They deny that they have carried the alleged trade from the said account or they were aware of about the modus operandi of the alleged trades. Noticees are themselves surprised to learn that a copy of Mrs. Beena Jain's PAN card was found with some person residing in Hong Kong which has raised serious concerns and issues regarding the misuse of the documents and they*

reserve their right to take appropriate actions against the concerned persons under Section 463, 464 and 465 of Indian Penal Code 1860.

- g) The Noticees were also surprised to learn about the various IP addresses from different parts of the country as well as foreign countries which the alleged trades were carried out. Since the alleged trades were executed by Mr. Pranay Vaid and since no report is provided by the said Mr. Pranay Vaid or by Arihant Capital Markets Ltd. to Noticees as to how the alleged trades were being routed at the back end.*
- h) Correlation does not imply causation as from the snippet from NSE website read with the example quoted in Paragraph no. 133, Page 47 in the above referred interim order it can be clearly seen that 9,54,800 was the total quantity traded on that day of the script in question which means that Beena and Prashant Jain contributed merely 2.09% (20,000 shares) from the total volume traded on that relevant day, and 82.72% volume contributed was by other entities which has not been considered by the said Investigating Officer. Since in-depth data of who all traded in what volumes and at what prices and at what time isn't publicly available and the concerned Investigating Officer hasn't provided the complete data related to the same and thus it is not necessary for the two instances to be correlated these two Noticees being involved in the alleged illegal trading activities. Further, in paragraph 134. page 48 of the above referred order, the allegations made are baseless and frivolous and contrary to your findings made in paragraph 132 wherein it has been categorically stated that Mrs. Beena Jain has allegedly sold at end price of Rs. 1262.05 which is much less than the price at which the said Fidelity Asian Values Plc. Purchased thereby clearly establishing inconsistency in the finding of the Investigating Officer.*
- i) The Investigating officer has also failed to establish or produce any relevant documents in support of the allegations against the Noticees and have merely relied upon the alleged copy of the PAN card allegedly found in the email of Mr. Vaibhav Dhadda and thereby trying to correlate the Noticees with the said Mr. Vaibhav Dhadda who in fact in his statement given to the said Investigating Officer have confirmed the fact that even he is not aware or related to the Noticees in any manner whatsoever.*
- j) Noticees are bonafide trader and has not carried on any of the alleged trades either in contravention to and or in a fraudulent manner as alleged in the above referred order thereby violating the provisions of the SEBI Act.*

- k) They have not even received the entire consideration of Rs. 2,06,44,257/- and thereby imposing such heavy penalty upon them is totally unfair and abuse of powers granted upon the said Investigating Officer.*
- l) With reference to the cross examination of Mr. Prashant Jain, should also include the remarks of WTM.*
- m) The reply of Noticee no. 9 does not provide any reasonable ground for seeking cross examination and thus, it cannot be considered.*
- n) Patently inadmissible and irrelevant questions were allowed during cross examination.*
- o) In the present proceedings, the SEBI has made allegations against both the Noticees – the mother and her son. This is inherently illegal and unconstitutional. The trades have occurred in the account of Noticee 5 and not in Noticee 8's account. Thus, action if any can only be taken against Noticee 5. Even assuming that Noticee 8 was operating the account of Noticee 5, it was only due to Noticee 5 being indisposed at the relevant time. In such circumstance, alleging violations against both Noticee 5 and Noticee 8 is not maintainable. Accordingly, the directions against Noticee 8 should be withdrawn with immediate effect.*
- p) By no means can the disgorgement operate against Noticee 5, Noticee 8, Noticee 9 and Noticee 1 jointly and severally. It is the duty of the SEBI to identify the entity which made the illegal gains. In absence thereof, the proposed disgorgement action is not maintainable and, thus, deserves to be set aside with immediate effect. As such, no disgorgement action can be sustained against Noticee 8 as he has not received any gains (illegal or otherwise). Accordingly, SEBI is called upon to withdraw disgorgement direction against Noticee 8 with immediate effect.*
- q) The Interim Order also seeks to impose monetary penalty under Section 11 (4A) and Section 11B (2) of SEBI Act read with Section 15 HA of SEBI Act. It is humbly submitted that penalty can only be imposed on Noticee 5 at the best as there is no specific allegation against Noticee 8. Accordingly, the SEBI cannot impose a monetary penalty on Noticee 8 in absence of any specific allegation. Thus, the Interim Order vis-à-vis Noticee 8 should be set aside immediately.*
- r) SEBI has completely ignored the fact that Noticee 5 has been trading with Arihant since August 28, 2019, up until July 23, 2020. Thus, Noticee 5 has been using the said trading account for undertaking trades in ordinary course of business. SEBI cannot ignore the*

fact that Noticee 5 has executed 121 trades from August 23, 2019. Out of the said 121 trades, SEBI has only sought to impugn only 15 instances of bulk buy orders and 19 instances of bulk sell orders trades in Fidelity Group. If the intention of Noticee 5 was to facilitate trades only in Fidelity Group, then why would Noticee 5 undertake 121 of trades across various sectors and various scrips.

- s) Based on the trade analysis of the trading account of Noticee 5 it can be concluded that the trades were in proportion to verifiable financial sources of Noticee 5 and did not lead to the manipulation in the price or volume of the security.*
- t) At the outset, it is submitted that neither Noticee 5 nor Noticee 8 have any knowledge or connection with Noticee 1 or any of the Dhadda Entities. Further, neither of the Noticees have ever travelled to Hong Kong. The SEBI even after conducting an extensive investigation including an internal investigation and forensic review of laptop and personal mobile etc. of Noticee 1 carried out by Fidelity group have failed to produce any email / document / call record/ text message / social media message / social media connection which connects Noticee 1 with Noticee 5 or Noticee 8. In fact, during the statement recording of Noticee 1 before SEBI on November 5, 2020, Noticee 1 has admitted to indulging in the front running of various funds of Fidelity Group (Question 5). In the same statement Noticee 1 has expressly denied knowing or having any connection with either Noticee 5 or Noticee 8 (Question 13 and 14).*
- u) It is also pertinent to note that the scan of the PAN Card in possession of Noticee 1 is identical to the KYC document available with Arihant. Thus, it is possible that Arihant shared the PAN Card of Noticee 5 with Noticee 1 without any consent or permission of the Noticees.*
- v) As per the Interim Order the investigation period of SEBI with respect to the trading activities of Noticee 5 was from August 23, 2019, to November 26, 2019. The email of Noticee 1 was dated September 16, 2019, almost 24 days since the beginning of the investigation period for the allegation of front running. There is no logical reasoning or explanation, which would explain why such an email was sent 24 days after the investigation period and trading in the account of Noticee 5 had commenced.*
- w) In any event, as per SEBI's findings, it appears that the trades of Noticee 5 are being executed from various locations including Hong Kong, Indore, Bengaluru and Singapore. This suggests that while executing trades, the trader had to be in the aforementioned*

locations such as Hong Kong, Indore, Bengaluru and Singapore. Taking SEBI's example of the trade from the trading account of Noticee 5 on September 20, 2019 (Para 135 of the Interim Order), the trader had to be in Hong Kong as well as in Indore at the same time i.e. at 11:29 AM there is activity in Indore (IP address starting from 103) and at 11:31 AM in Hong Kong (IP address starting from 182). Thus, SEBI is suggesting that the trader is in Hong Kong and Indore at the same time. Practically, this is not possible. Clearly, there is something amiss in SEBI's investigation. As SEBI may be aware, it is a common practice for entities to use a Virtual Private Network ("VPN") which is encryption of connection over the internet from a device to a network. By using a VPN, sensitive data is safely transmitted, and unauthorized persons are prevented from eavesdropping on the traffic and allows the user to conduct work remotely. A VPN is also used to mask one's location and identity. It does so by changing one's apparent location by sending one's traffic through a server in another location. There are various free and paid websites and applications that act as VPN service providers to hide and disclose an IP address and location as desired. Using a proxy service and TOR (the Onion Router) are some of the other ways to change one's IP address and thus hide / change one's location. Thus, it is possible that VPN services / Proxy services / TOR were used which led to IP addresses of various places like Hong Kong, Bengaluru, Indore and Singapore were seen.

- x) The principle of front running is that a trade is executed by a trader with the knowledge of impending large trade likely to occur in the future. However, in the present case, there have been multiple instances where the trades of Noticee 5 have occurred once the big client has already commenced execution of trades. Thus, such trades cannot be classified as front running. In view of the aforesaid, the trades of Noticee 5 cannot be said to be on account of front running.*
- y) In light of the above cases, it is submitted that it is an established jurisprudence that for proving charges of fraud under PFUTP Regulations, the evidence adduced must be compelling which can be inferred by logical process of reasoning from the totality of facts and circumstances surrounding the allegations. In the present case, the Noticees have clearly made out that they were not connected with Noticee 1 in any manner. In fact, Noticee 1 has confirmed the same through his statement before the SEBI and the same is a conclusive evidence even allowed to be used against Noticee 1 himself in terms of*

Section 11C of the SEBI Act. Also, the flimsy connection by way of email of PAN card from the gmail id of Noticee 1 to the work id of Noticee 1 also does not prove any connection as, it is not the Noticees who have sent the email. Thus, the circumstance of executing trades with Arihant, which happened to be the broker through whom Noticee 1 executed allegedly fraudulent trades, cannot lead to the conclusion that there was an intent to defraud the individual investors. Accordingly, mere suspicion or doubt cannot be grounds for charging a person with serious violations such as fraud. The circumstantial evidence relied upon by SEBI does not lead to only one conclusion.

- z) It is to be noted that there is no renting of account as alleged. A primary requirement for renting account is consideration. In the present case SEBI has not established fund movement.*

D. Vide reply dated July 18, 2021 and written submissions dated January 03, 2022, Noticee no. 9 has submitted the following:

- a) SEBI has failed to provide him complete documents/data/information as relied in the said Order cum SCN despite the fact that he and his AR have made repeated requests to provide the same. In the para 173 of the interim order cum SCN, it is specifically directed SEBI to provide the same along with the said order. The following information/documents/data collected during the course of investigation and relied upon in the said order is requested for by the Noticee:*
- Original Trade Log and Order Log having all the trades executed by Mrs. Beena Jain and M/s Pramod Jain(HUF)in Excel Sheet during the investigation period. The files provided with the SCN and vide Emails dated 29-06-2021 and 07-07-2021 are not having complete details. The data provided in the files are mere compilation of Trade Logs. Several Columns which are part of Trade Log data are missing in these files. Further, no Order Log data has been provided.*
 - The Noticee should be provided the details of IP Addresses along with physical/ postal addresses of these IP Addresses.*
 - In the Para 92 of the said order cum SCN it is stated that trades were executed in the account of Beena Jain from several places namely Hong Kong, Singapore, Indore and Bengaluru. On perusal of the said Order it is revealed that SEBI has focused on the trades executed from Hong Kong only. It is alleged that these trades*

have been executed by Mr. Vaibhav Dhadda from Hong Kong. The Noticee, therefore, request to provide him location (physical addresses) of the IP addresses belongs to Singapore, Indore and Bengaluru so that it can be ascertained who were executing trades at Singapore, Indore and Bengaluru.

- There are several trades executed in the accounts of Mrs. Beena Jain and M/s Pramod Jain(HUF)by the Dealers of the Member Broker. Please provide details of these trades along with IP Address/MAC Address.*
- Please clarify - Is SEBI making allegation against those trades also which were purportedly executed from IP Addresses of Singapore, Indore and Bengaluru in the trading accounts of Beena Jain and M/s Pramod Jain (HUF) ?*
- The orders in the accounts of Mrs. Beena Jain and Pramod Jain(HUF)for alleged trades must have been placed through any Computer/Mobile Phones/Laptop/Tablet. Every system through which orders are placed having its own MAC Address. Had SEBI during the course of investigation tried to find out the details and ownership of the said devices/Computers/Mobile Phones/Laptop/Tablet from the help of MAC Addresses?*
- In the said Order it is stated that Mr. Vaibhav Dhadda was the employee of Fidelity Group. These types of Companies/Groups adopts very strict Protocols for their employees which prohibits their employees from engaging in any type of trading in their personal name as well as in other's name or account. Further, the security/surveillance system of these Companies/Groups not allows connecting from their internet connection. Thus, the question arises that how Mr. Vaibhav Dhadda had placed orders in the accounts of Mrs. Beena Jain and Ms Pramod Jain(HUF)from his workplace. I mean one must have to log in into the system for placing orders. Had SEBI investigated that the alleged IP Addresses and IP addresses of Fidelity Group are common? Had SEBI Investigated that the MAC addresses belongs to the devices used by Mr. Vaibhav Dhadda with the MAC Addresses of the devices used to place orders for alleged trades? If any such details on records, please provide.*
- Copy of the Investigation Report with all annexures.*
- Allow him to cross examine those entities whose statements have been relied upon by SEBI against him while passing the said Order.*

- *Communication exchanged with Fidelity Group as the letter dated 29-10-2020 does not contain all the details. Further, the Fidelity Group has provided details in separate Email and Files which was not shared with me.*
- *Investigation Report of NSE with all annexure*
- *Again allow inspection of the documents/data / information as collected during the course of investigation as he was provided inspection of limited documents.*
- b) *The Noticee denies the allegations made against him in the order cum SCN. The allegations made against him in the said Order cum SCN are farfetched and based on surmises, conjectures, assumptions and presumptions.*
- c) *He is working with the Member Broker Arihant Capital Market Limited from last 18 years. He has a clean and unblemished track record in the Securities Market. Even, no warning has been issued to him till date.*
- d) *He used to trade online on behalf of various clients. He is not sure whether these period of transactions in the account of Mrs. Beena Jain and M/s Pramod Jain (HUF), were carried out by himself or my any associates/friend. As he used to place approx. more than 1000 transactions in a day and, therefore, also take assistance of other associates/friends/colleague.*
- e) *He was not way connected with Noticee Nos. 1, 2,3, 6, 7 and 11. SEBI in the said Order cum SCN has tried to connect him with Mr. Vaibhav Dhadda (Noticee No. 1) on the basis of presumptions and assumptions. No evidence of whatsoever nature has been shared with him till date showing my direct or indirect connection with Noticee Nos. 1, 2, 3, 6, 7 and 11.*
- f) *On perusal of the letter dated 29-10-2020 issued by Fidelity Group addressed to SEBI it is revealed that the Fidelity Group after conducting internal investigation found nothing which indicate that Mr. Vaibhav Dhadda had executed any trade in the account of Mrs. Beena Jain and M/s Pramod Jain HUF.*
- g) *It is none of his business that PAN Card of Beena Jain was sent from one Email ID of Mr. Vaibhav Dhadda to his another Email ID. The claim of the SEBI in the said Order cum SCN is under doubt as in the letter dated 29-10-2020, Fidelity Group has not mentioned about any such Email. Further, SEBI has failed to provide complete details which were shared by the Fidelity Group with SEBI. The allegation of connection on the basis of PAN card of Beena Jain found on the email ID of Vaibhav Dhadda is a vague*

allegation. It is not explained in the said Order cum SCN that how the Noticee became connected with Mr. Vaibhav Dhadda on the background that copy of Mrs. Beena Jain's PAN Card allegedly found on the Email Id Mr. Vaibhav Dhadda. The said Order has been passed purely on speculation.

- h) In his statement given before SEBI on 30-12-2020, he has accepted that Mr. Siddharth Jain is his close friend. However, he had no role in opening trading account of M/s Pramod Jain (HUF) with any Broker including Member Broker Arihant Capital Market Limited.*
- i) He has never placed any orders in the trading accounts of Mrs. Beena Jain and Pramod Jain (HUF) by logging through Internet Based Trading. He and/or his team (employed with the Member Broker Arihant Capital Market Limited) had placed orders in the accounts of Mrs. Beena Jain and Pramod Jain (HUF) on the trading terminals of Member Broker Arihant Capital Market Limited. He as a Dealer placed the orders. The User ID / Password were delivered to Mrs. Beena Jain and M/s Pramod Jain (HUF) directly by the Member Broker. The Noticee had no role in this. Even, Mr. Siddharth Jain in his statement before SEBI has said that he is not remembering whether he certainly shared the user ID or password with the Noticee or not. Whether Mrs. Beena Jain and M/s Pramod Jain (HUF) shared password with him or not but he had never placed any order in their accounts by using FFIT system. Indeed, SEBI has not placed a single evidence which establish that he had placed any order in their accounts using IBT system.*
- j) It is an admitted fact that he has not received a single penny out of profit earned by Mrs. Beena Jain and M/s Pramod Jain(HUF)while trading in the securities market. Indeed, in the statements on Oath given before the SEBI by Mr. Prashant Jain and Mr Siddharth Jain, both have accepted that they have not paid any commission/fees/profit to me.*
- k) He refutes and denies the statements given by Mr. Prashant Jain and Mr Siddharth Jain that he had executed alleged trades in the accounts of Mrs. Beena Jain and M/s Pramod Jain(HUF)respectively through internet based- trading.*
- l) He is not aware about the trades which were executed by Mrs. Beena Jain and M/s Pramod Jain(HUF) through the Internet Based Trading system as he doesn't see back office of Member Broker Arihant Capital Markets Limited.*
- m) Vide Email dated 07-07-2021, he was provided one page i.e. extract of the Investigation Report of NSE. He has surfed the said website i.e. keycdn.com and shockingly found*

that the said website is showing distorted map of India on its portal. A website which is directly challenging the sovereignty and integrity of our nation by showing distorted map of our nation, how can we rely the data of such website. Therefore, reliance should not be placed on the findings recorded by the NSE in its investigation report regarding location of IP Addresses.

- n) In the para 90 it is alleged that he was executing trades in the account of Mrs. Beena Jain, however, in para 93 it is stated that he and Prashant Jain were executing trades in the account of Mrs. Beena Jain. Thus, 2 contradictory findings have been recorded in the said Order for making bald allegation against him.*
- o) SEBI only on the basis of bald statements made by Mr. Prashant Jain and Mr Siddharth Jain impleaded him as a party to the said Order cum SCN. However, their statements are not fully relied by SEBI itself. It seems that SEBI had adopted some part of their statements which suits to SEBI for making bald allegation against him SEBI has not investigated the veracity of their claims made in their statements. Thus, no reliance can be placed on the statements of Mr. Prashant Jain and Mr Siddharth Jain.*
- p) The direction in Para 170 of the said Order cum SCN are arbitrary as he has not received a single penny through any mode out of the profit earned by Mrs. Beena Jain and M/s Pramod Jain (HUF) by executing the alleged trades.*
- q) The Order of disgorgement/ impounding can be passed against those entities only who made profit or averted loss by indulging in any transaction or activity in contravention of the provisions of the SEBI Act or regulations made thereunder. The explanation to Section 11B of SEBI Act as given above clearly states in unequivocal terms that SEBI could pass order for Disgorgement /Impounding of unlawful gain against those entities only who made profit or averted loss by indulging in any transaction or activity in contravention of the provisions of this Act or regulations made thereunder. In the given case neither the trades of his has been under challenge nor he has received any fees/commissions/sharing in profit out of purported profit earned by Mrs. Beena Jain and M/s Pramod Jain (HUF) by execution of alleged trades. Under these circumstances, no Order of Disgorgement /Impounding can be passed against him.*
- r) He further refutes and denies that he directly or indirectly in possession of information that is not publically available, regrading a substantial impending transactions of Big Clients (Fidelity Group). SEBI failed to produce a single document which shows that he*

was in possession of the information and he had used the same information to place orders in the account of Mrs. Beena Jain and Pramod Jain (HUF).

- s) Several trades had been executed from IP address of Jaipur, Indore and Bengaluru. However, SEBI is completely silent on the said trades.*
- t) Since he has not received a single penny of the alleged gain arises due to front running of the Fidelity Group, the bank and demat accounts belonging to him and his family should be defreezed.*
- u) From the cross examination of Mr. Prashant Jain it is clear that he was not authorised by his mother to open trading account and further operate the same.*
- v) He has never shared Ms. Beena Jain's password or user ID with anyone.*
- w) A member broker generally send password by email and not by post. Please note that the trading system of member broker doesn't allow the client to trade with the same password as given by the broker. The client has to change the password before starting to trade. Thus Prashant Jain is well aware of the password sent by the broker.*

E. Vide reply dated July 14, 2021 and post hearing written submissions dated October 21, 2021, Noticee no. 4 and 10 have submitted the following:

- a) Pramod Jain is the Karta of Pramod Jain (HUF) and Siddharth Jain is the son of Pramod Jain and also a coparcener of Pramod Jain (HUF).*
- b) Contrary to the directions contained in the order cum SCN, other than the interim order and the documents attached in the email dated June 17, 2021 no other documents including the copy of the Investigation Report, or the annexures thereto have been provided to the Noticees by SEBI. The Noticees have also specifically requested for all the relevant documents through their email dated June 15, 2021, and June 18, 2021. Without having the relevant documents of the matter, the Noticees can neither be expected to, and nor are in a position to reply appropriately to the allegations made against them and is a violation of principles of natural justice. The Noticees sought the following information:*
 - Copy of the investigation Report along with the annexures;*
 - Complete Trade & Order log of the trades executed by Pramod Jain (HUF) and*

Fidelity Group Entitles;

- *Basis of stating that certain IP address belonged to Hongkong;*
 - *Statement made by Vaibhav Dhadda before SEBI;*
 - *Basis of our connection with Mr. Vaibhav Dhadda and*
 - *Other documents/information collected during the course of investigation by SEBI.*
- c) *The account of Pramod Jain (HUF) was opened with Arihant Capital Markets Limited, in February of 2011. The same is evident from the KYC documents provided by SEBI. However, in the Order the date of opening the trading account of Pramod Jain (HUF) is wrongly recorded as February 21, 2019 (reasons for this discrepancy has not been clarified by SEBI in the Order), The fact that the account was opened much earlier was also brought before SEBI in the statement recorded by Siddharth Jain.*
- d) *As Pranay Vaid (who was working with Arihant Capital Markets Limited) is a friend of Siddharth Jain and has thus acted as an introducer for opening the trading account of Pramod Jain (HUF) in the year 2011 with Arihant Capital Markets Limited.*
- e) *Based on the relation between Siddharth Jain and Pranay Vaid, the trading account of Pramod Jain (HUF) was allowed to be operated by Mr. Pranay Vaid. The Undersigned had on good faith and given the relationship with Pranay Vaid, allowed Pranay Vaid to place trades on their behalf since the opening of their trading account in the year 2011. At no point in time have the Noticees instructed Pranay Vaid to indulge in and/or place any trades/ transactions that are illegal or in any manner violative of the provisions of the SEBI Act, the PFUTP Regulations and any other applicable rules or regulations made thereunder. There is also nothing on record that establishes that the Noticees were aware about any transactions of front running placed during the Investigation Period, and that they instructed Pranay Vaid to do any front running transactions and to make any unlawful gains through the same.*
- f) *The Noticees had no idea about any malfeasance that may or may not have been undertaken through their account during the Investigation Period. Therefore, the Undersigned cannot be held guilty of any alleged front running.*
- g) *Further, it is submitted that the alleged front running trades were executed during the period September to October of 2019 and the trading account of Pramod Jain (HUF) was in fact opened in February of 2011. In other cases, the trading accounts were opened*

just before the alleged front running trades. This further substantiates that the trading done in the account of Pramod Jain (HUF) was genuine and not done at the instance of Mr. Vaibhav Dhadda. Nowhere in the Order or the statement recorded by Siddharth Jain and Pranay Vaid it has been found that the Noticees were connected to any other entity involved in the matter, specifically with Mr Vaibhav Dhadda (who appears to be the prime suspect behind the alleged transactions}.

- h) It has been stated in the Order that the trades in the account of Pramod Jain(HUF)have been made from Hongkong. SEBI in paragraphs 107 and 109 of the Order contradicts itself by stating on one side that trades were executed from Hongkong and on the other side stating that the orders placed in the trading account of Pramod Jain (HUF)were being placed by Siddharth Jain/ Pranay Vaid at the instance of Vaibhav Dhadda. However, to support this allegation no document has been brought on record. There is no clear establishment based on any facts or evidence by SEB in the Order to support its conclusion.*
- i) Neither Pramod Jain nor Siddharth Jain, or Pranay Vaid has ever been to Hong Kong, so the question of trades being executed by the Noticees from Hong Kong does not arise. Even assuming whilst denying that the front run orders were placed through the account of Pramod Jain(HUF)at the Instance of Vaibhav Dhadda, the Noticees were was not aware of the same.*
- j) There Is no basis to hold that the Undersigned has acted in connivance with Vaibhav Dhadda, or any other entity named in the Order in connection with the alleged transactions placed through its account. The trades in the account of Pramod Jain(HUF)were executed by Pranay Vaid and the rationale behind the said trades is known to him. For the sake of argument even if it is assumed that the trades were placed by the Noticees as alleged in the Order, why would the Undersigned have the same placed through Hongkong, while the same could have been easily placed from India?*
- k) Irrespective of wherever the trades are done from, in order to establish that the Noticees did front running of the impending buy/sell orders of Fidelity Group Entities, it still needs to be proved that the Noticees were connected to Vaibhav Dhadda or that Vaibhav Dhadda somehow transmitted the Information about the impending buy/sell orders of Fidelity Group Entities to the Noticees directly or indirectly. Nowhere in the Order It has been stated as to how the Noticees were connected to Vaibhav Dhadda or as to how the*

Noticees were aware that the alleged trades executed in its account were front run trades.

- l) Further, importantly it is also to be noted that no money was paid to either Pranay Vaid or Vaibhav Dhadda by the Noticees.*
- m) The Order cum show cause notice is merely based on conjectures and surmises and there is no substantial or direct or indirect evidence to show that the Noticees had any connection with Vaibhav Dhadda or that the trades in the account of Pramod Jain(HUF) were based on any impending buy/sell orders of any fidelity Group Entities. To prove a serious offense of 'front running' which is in violation of PFUTP Regulations, a higher degree of proof is required.*
- n) In the present matter no entity was induced to trade because of the trades executed in the account of Pramod Jain(HUF) neither has the same been alleged in the order cum show cause notice.*
- o) Without prejudice to the above, if at all it is held that the Noticees did front running and are liable to disgorge the amount of profit made because of the front running, it is requested that their application dated June 15,2021 and June18, 2021 with regards to the quantum of profit made during the period of alleged front running (September12, 2019 to October 31, 2019) be considered before passing any order.*
- p) Further It Is to be noted that that alleged profit made by each entity has been quantified in the Order and therefore the exposure on the Noticees towards any liability (If any), shall be to the extent of the liability specifically computed and corresponding to the Noticees. The Noticees shall not be held jointly and severally liable with other entities.*
- q) Also, if penalty is being imposed on the Noticees under Section 11(4A) and 11B(2) read with Section 15HA of the SEBI Act, it is requested that provisions contained under Section 15J of SEBI Act be considered.*
- r) The total gains of Pramod Jain(HUF) as computed by the learned Board. i.e. Rs. 56,94,558. 30) during the Investigation Period is erroneous. SEBI has committed error while computing the monetary gains in not considering the various loss making transactions of the Noticees during the Investigation Period which amount to the total of Rs. 2609922.96. Thus the actual gains of the Noticees Investigation Period in its account aggregate to the sum of Rs.31,89,546.63 (Rupees Thirty-One lakhs Eighty Nine Thousand Five Hundred Forty Six and Paise Sixty Three). In the light of the averments*

made SEBI is requested to revise the amounts to be impounded from the Undersigned by reducing them appropriately.

- s) SEBI has not placed any evidence on record to show that IP addresses beginning with 182 belonged to Hong Kong.*
- t) It is noted that the trades have taken place in the account of Pramod Jain(HUF)and admittedly the alleged front running trades have been executed by Mr. Pranay Vaid. Just because Mr. Siddharth Jain facilitated the opening of the trading account 10 years back will not make him liable to disgorge the unlawful gains as alleged. No role of Mr. Siddharth Jan has been brought out in the alleged act of front running.*

15. After the conclusion of hearing *qua* all Noticees in the matter, vide email dated February 19, 2022, the AR of Noticee no.9, sought a complete copy of Investigation Report pertaining to the matter citing the order dated February 1, 2022 passed by the Hon'ble Supreme Court of India in T. Takano Vs. SEBI (CA No. 487-488 of 2022). Vide email dated March 11, 2022 a complete copy of the IR with applicable redactions was provided to the AR of the Noticee no. 9 advising him to submit his comments/ reply on the same.

16. Vide email dated March 12, 2022 Noticee no. 9 made the following further submissions:

- i. The Noticee has not been provided the crucial details like:*
 - Details of IP Address (Location ID, Location Address and the User Names etc.) to ascertain where from all the Orders were placed in account of Beena Jain and Pramod Jain (HUF).*
 - Complete copy of the NSE Investigation Report*
 - Complete details of Communication exchanged in between SEBI and Fidelity**However, SEBI has placed reliance on the same in the Investigation Report and in Ex-Parte Order and on the basis of these information / details / documents, the Ex-Parte Order has been passed. In this way the principle of Natural Justice has been grossly violated in the present proceeding.*
- ii. SEBI has completely failed to connect the Noticee with Mr. Vaibhav Dhadda who according*

to the SEBI placed Orders in the accounts of Beena Jain and Pramod Jain(HUF) from Hong Kong. The only connection shown in the Ex-Parte Order and in the Investigation Report is that the soft copy of the PAN card of the Beena Jain found from personal and official Email Ids of Mr. Vaibhav Dhadda and therefore the Noticee is indirectly shown connected with Mr. Vaibhav Dhadda. This allegation of connection is totally vague and purely based on assumptions and presumption. SEBI has failed to provide any communication / relation / financial transactions made in between the Noticee and Mr. Vaibhav Dhadda. A charge of fraud i.e. very serious allegation cannot be alleged only on the basis of assumptions and presumption. Some material requires beyond the doubt. Indeed, in the entire Investigation Report and in the Ex-Parte Order, it is nowhere stated or alleged that the Noticee had shared the Internet Based Trading (IBT) passwords of Beena Jain and Pramod Jain(HUF)accounts with Mr. Vaibhav Dhadda. The said allegation cannot be made as SEBI has no evidence on records to prove the same.

- iii. It is very pertinent to mention that in the investigation report, it is specifically stated that Orders in the Beena Jain trading account were also placed from Indore and Bangalore IP addresses. It is further pertinent to mention that in the entire investigation report it is nowhere alleged that the Order placed from Indore IP addresses were front run trades. No finding has been recorded about trades executed from Bengaluru IP address. It is very shocking and surprising that no one was in Bangalore but trades executed from there. Thus, it is abundant clear that the Noticee on behalf of the client (Ms. Beena Jain) of the Member Broker placed Orders in the trading account and it is part of the duty of the Noticee as an employee with the Member Broker and the trades executed from Indore IP address have not been alleged as front run trades.*
- iv. So far as the case of Pramod Jain(HUF) is concerned, in the Investigation Report as well as in the Ex-Parte Order the complete details about locations for placing of orders has not been provided. Thus, no submissions are being made except that the Noticee is not concerned with the trades executed from Hong Kong.*
- v. In the investigation report, it very clearly stated that IBT Password of Beena Jain and Pramod Jain (HUF) trading accounts were in the possession of Mr. Prashant Jain and Mr. Siddharth Jain respectively as they both had opened the trading accounts and they both were also doing trades in the respective account. It is also clear from the investigation report that Mr. Prashant Jain and Mr. Siddharth Jain were well aware about the trades*

executed in the accounts of Beena Jain and Pamod Jain(HUF)respectively. No such allegation has been made against the Noticee.

CONSIDERATION OF SUBMISSIONS AND FINDINGS:

17. I have considered the SCN issued to the Noticees, along with its annexures, and the aforementioned replies filed by the Noticees and the submissions made before me during the course of hearing. The question to be determined in the present proceedings is whether the Noticees have violated the provisions of SEBI Act, 1992 and PFUTP Regulations, 1995 and PFUTP Regulations, 2003, as alleged in the SCNs.
18. Before dealing with the issue, it would be appropriate to refer to the relevant provisions of law which are alleged to have been violated by the Noticees and relevant extract thereof is reproduced hereunder:

Relevant extract of provisions of SEBI Act, 1992

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

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

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

Relevant extracts of provisions of PFUTP Regulations, 2003

Regulation 3. Prohibition of certain dealings in securities

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 there under;
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

Regulation 4. Prohibition of manipulative, fraudulent and unfair trade practices

- (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.
- (2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:
 - (a)
 -
 - (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;
 -"

19. At the outset I note that Noticee no. 6 in his reply dated August 09, 2021 has stated that the following documents/information have not been provided to him:
- i. copy of the Investigation Report along with the annexures;
 - ii. complete Trade & Order Log of the trades executed by him and the Fidelity Group Entities;
 - iii. basis of stating that certain IP codes/addresses belong to Hongkong & Philippines;
 - iv. statement of Arushi Dhadda & Alka Dhadda;
 - v. report dated 12th May, 2020 prepared by NSE
20. I also note that during the personal hearing of the Noticee no. 6 on September 08, 2021

it was informed to the AR of Noticee no. 6 that a copy of the relevant portion of the Investigation Report already forms part of the SCN. Further, it was also informed to the AR that the present matter does not deal with market manipulation and pertains to front running and that the details of all the front running trades have been provided to Noticee no. 6 and thus the complete order log and trade log need not be provided. I also note that vide letter dated September 23, 2021 copies of statements of Mr. Vaibhav Dhadda, Ms. Alka Dhadda and Ms. Arushi Dhadda all dated November 05, 2020 have been provided to Noticee no.6. Moreover, the basis of IP address, which is discussed in the NSE examination Report has also been shared with Noticee no.6. Regarding the complete NSE Investigation Report, as discussed above, I note that NSE had forwarded a preliminary report related to alleged front running by a few of the present Noticees. However, thereafter SEBI has carried out a detailed investigation which forms the basis of the present SCN. Therefore, no further documents may be provided to Noticee no. 6 in this regard. I also note that Noticee no.6 has submitted detailed reply to the SCN on January 25, 2022.

21. I also note that the AR of Noticee no. 9 has made submissions, vide letter dated March 12, 2022 stating that the following documents have not been provided to him:

- a. Details of IP Address (Location ID, Location Address and the User Names etc.) to ascertain where from all the Orders were placed in account of Beena Jain and Pramod Jain (HUF).
- b. Complete copy of the NSE Investigation Report
- c. Complete details of Communication exchanged in between SEBI and Fidelity

In this regard, I note that during the course of the present proceedings, documents and information sought by the Noticees have been provided to them, details of which are as follows:

Name of Noticee to whom documents were provided	List of Documents/Annexures	Date of email by which the documents were provided
Vaibhav Dhadda	Statement and Submissions of Vaibhav Dhadda, Alka Dhadda, Arushi Dhadda, Prashant Jain, Pranay Vaid	June 30, 2021

	• UCC Details • Trade Details • KYC Documents • Fidelity Reply • Bank Statements • IP Address Details • Email of PAN Card of Beena Jain as obtained from Vaibhav Dhadda's email id • Reply from the Broker Copy of Air Ticket of Phillipines	
Alka Dhadda and Arushi Dhadda	• Statement and Submissions of Vaibhav Dhadda, Alka Dhadda and Arushi Dhadda • UCC Details • Trade Details • KYC Documents • Fidelity Reply	June 30, 2021
Aditya Barla	• KYC Documents • UCC Details • Trade Details • Submissions of Aditya Barla • Statement of Vaibhav Dhadda, Alka Dhadda and Arushi Dhadda • IP Address Details • Snapshot of facebook profile • Copy of Air Ticket of Philippines	June 30, 2021 and September 23, 2021
Pramod Jain (HUF) and Siddharth Jain	• Copy of the Interim and Confirmatory Order dated December 04, 2019 and June 15, 2020 respectively. • IP Address Details • KYC Documents • Trade Details • UCC Details • Statement and submissions of Pranay Vaid and Pramod Jain	June 17, 2021
Beena Jain and Prashant Jain	• IP Address Details • KYC Documents • Trade Details • UCC Details • Statement of Prashant Jain • Statement of Pranay Vaid • Statement of Vaibhav Dhadda • Reply of Beena Jain • Email of PAN Card of Beena Jain as obtained from Vaibhav Dhadda's email id • Reply of Pranay Vaid	June 30, 2021 and October 21, 2021
Pranay Vaid	• Copy of the Interim and Confirmatory Order dated December 04, 2019 and June 15, 2020 respectively. • IP Address Details • KYC Documents • Trade Details • UCC Details • Statement and submissions of Prashant Jain, Pranay Vaid and Siddharth Jain • Statement of Vaibhav Jain • Email of PAN Card of Beena Jain as obtained from Vaibhav Dhadda's email id • Reply of Beena Jain	June 29, 2021 and July 07, 2021

	• Extract of NSE Report • Fidelity Letter	
Sumit Kanungo and Riya Jain (Kanungo)	• Bank Statements • KYC Documents • Trade Details • UCC Details • Statement of Riya Jain and Sumit Kanungo • Fidelity Reply • Reply from the Broker	June 30, 2021

22. I note that Noticee no. 9 also features in the table above and additionally, Noticee no. 9 has also availed cross examination of Noticee no. 8 on November 23, 2021 and also vide email dated March 11, 2022 in accordance with the observation of the Hon'ble Supreme Court in T. Takano Vs. SEBI (CA No. 487-488 of 2022), a complete copy of the Investigation Report with applicable redactions have been provide to Noticee no.9 advising him to submit his comments/ reply on the same and vide email dated March 12, 2022 Noticee no. 9 has submitted further reply in the matter. I note that only Noticee no. 9 had sought a copy of the complete Investigation Report in line with the observation of the Hon'ble Supreme Court in T. Takano Vs. SEBI (CA No. 487-488 of 2022).
23. In this background, with respect to the specific request of Noticee no. 9, I note as follows:
- Regarding IP addresses, I note that the IP address indicates the server through which the user was accessing the internet. In this regard, the exact ID or name of the user cannot be determined from the same. In the present proceedings, along with the IP address other materials such as connection between the Noticees, their trading patterns, etc, has also been placed on record as the basis of the allegations against the Noticees in the SCN, which is discussed in detail in later paras of this Order. The basis on which the SCN made observations regarding the geolocation of the IP address from which impugned trades took place has already been provided to the Noticee vide email dated July 07, 2021. All these circumstantial evidence along with IP address gives the most probable inference regarding the

geolocation of the device/ IC from where these trades have been alleged to have been placed. Therefore, no further information may be provided in this regard and the request of the Noticee in this regard is not tenable.

- b. Regarding the NSE Investigation Report, I note that NSE had forwarded a preliminary report related to alleged front running by a few of the present Noticees. However, thereafter SEBI has carried out a detailed investigation which forms the basis of the present SCN. The complete copy of Investigation Report of SEBI has been provided to Noticee no.9 vide email dated March 11, 2022. Along with this, all relevant portions of the NSE Investigation Report have also been provided to the Noticee no.9. Therefore, request for further documents of Noticee no. 9 in this regard, is not tenable.
- c. I note that all communication between SEBI and Fidelity during the course of investigation are not relevant to the present proceedings and may contain unrelated exchanges between a regulator and its regulated entity. In fact, such exchanges do not form part of the record on which the present proceedings are being carried out. Therefore, I do not find the request of the Noticee for being given copies of such communications, tenable.

- 24. Coming to the merits of the matter, I note that the SCN alleges that the Noticees indulged in front running the trades of 21 funds of the Fidelity Group during the Investigation Period, i.e. February 01, 2019 to November 30, 2019. The SCN alleges that Noticee no.1, Mr. Vaibhav Dhadda (alias Avi Dhadda, Noticee no. 1 in the present SCN) was a trader for the said 21 Fidelity Group entities and was in possession of confidential information of the impending trades of Fidelity Group entities which was not available in the public domain. The SCN alleges that based on this information front running trades were carried out in the trading accounts of Noticee nos. 2, 3, 4, 5, 6 and 7 at the instance of Noticee no. 1 and that Noticee nos. 8, 9, 10 and 11 were also participants in the front running, the details of which are discussed hereinafter. 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.

25. The names of the 21 funds of the Fidelity Group (hereinafter referred to as “**Fidelity Group Entities**”) whose trades were allegedly front run during the Investigation Period and the stock brokers through which these 21 funds were placing their orders during the Investigation Period are as follows:

Sr. No.	Big Client	Trading Member
1	Fidelity Funds - Emerging Markets	HSBC Securities & Capital Markets (India) Pvt. Ltd.
2	Fidelity Funds - Emerging Markets	J .P. Morgan India Private Limited
3	Fidelity Investment Services Limited A/C Fidelity	UBS Securities India Pvt. Ltd
4	Fidelity Asian Values Plc	Goldman Sachs (India) Securities Private Limited
5	Fid Funds Mauritius Limited	Macquarie Capital Securities (India) Pvt. Ltd.
6	Fid Funds Mauritius Limited	IIFL Securities Limited
7	Fidelity Funds Asia Pacific Dividend Fund	ICICI Securities Limited
8	Fidelity Investment Services Ltd	Edelweiss Securities Limited
9	Fidelity Management & Research Company	Citigroup Global Markets India Pvt. Ltd.
10	Fidelity Management And Research Company	Morgan Stanley India Company Private Limited

11	Fidelity Management And Mgmt Co A/C - Fidelity Investment Tr	CLSA India Private Limited
12	Fidelity Investment Trust Fidelity Int Small Cap Opportunities Fund	HSBC Securities & Capital Markets (India) Pvt. Ltd.
13	Fidelity India Fund	Jefferies India Private Limited
14	Fidelity Advisor Series I Fidelity Advisor Equity Growth Fund	Motilal Oswal Financial Services Limited
15	Fidelity Investment Trust Fidelity Total Emerging Markets Fund	Credit Suisse Securities (India) Private Limited
16	Fil Genesis Limited - Fidelity Fast Asia Pilot	Deutsche Equities India Private Limited
17	Fidelity Funds Asian Smaller Companies Pool	Kotak Securities Ltd.
18	Fidelity Funds - Emerging Markets Focus Fund	DSP Merrill Lynch Limited
19	Fidelity International Concentrated Equity Fund	Nomura Financial Advisory and Financial Securities Private Limited
20	Fidelity Funds Asian Smaller Companies Pool	Anand Rathi Share Stock Brokers Limited
21	Fidelity Asian Values Plc	Anand Rathi Share Stock Brokers Limited

26. Based on the background discussed above, the allegations against each Noticee is discussed in details in the following paras.

Allegation against Mr. Vaibhav Dhadda, Ms. Alka Dhadda and Ms. Arushi Dhadda

27. I note that the SCN states that the trading members (stockbrokers) of the aforesaid 21

Fidelity group entities have stated that Noticee no.1, Mr. Vaibhav Dhadda (alias Avi Dhadda, Noticee no. 1 in the present SCN) was a trader for the said 21 Fidelity Group entities and he provided trade instructions to the trading members of all the 21 Fidelity Group entities. Further, in the statement recorded before the Investigating Authority on November 05, 2020, Mr. Vaibhav Dhadda has submitted on oath that he was an assistant dealer in Fidelity when he joined Fidelity in 2017. Subsequently, he became a sales trader of Fidelity in 2019 when he started trading on their behalf (Fidelity). He has also submitted that he used to get the information regarding the trades to be executed on behalf of Fidelity Group entities one day before the actual day of trading. In view of the above, the SCN alleges that Mr. Vaibhav Dhadda was aware as to when the 21 Fidelity Group entities would place the order for buy / sell in a particular scrip, as he was the trader who was dealing with the respective Trading Members on behalf of the 21 Fidelity Group entities. Therefore, the SCN alleges that Mr. Vaibhav Dhadda was in possession of information of the impending trades of Fidelity Group entities during the Investigation Period.

28. I note that in response to the above mentioned observations in the SCN, Noticee no. 1, in his reply dated July 21, 2021 has submitted that he was in possession of the information of the impending trades of Fidelity Group entities which was not available in public domain and he has confirmed in his reply that he was a trader for the said 21 Fidelity Group entities and he provided trade instructions to the trading members for these entities during the Investigation Period. I find that the decision of the 21 Fidelity Group entities to buy shares or sell its shares and the information about their possible trades is confidential information of the concerned entities as the said information is not available in the public domain. Therefore, I find that during the Investigation Period Noticee no. 1 was directly in possession of information regarding substantial impending buy/sell transactions in securities by the 21 Fidelity Group entities that was not publicly available, as illustrated in paras 31, 33, 41, 51, 60 and 73 hereinbelow.

29. I further note that the SCN alleges that front running trades were executed from the trading accounts of Ms. Alka Dhadda (Noticee no. 2) and Ms. Arushi Dhadda (Noticee no. 3) who are the mother and sister of Noticee no.1, respectively, from May 29, 2019 to August 23, 2019 who were front running the trades of the 21 Fidelity Group entities.
30. In response to same, Noticee nos. 1, 2 and 3 in their reply dated July 21, 2021 have submitted as follows:

“With respect to the allegation of connection of Vaibhav Dhadda with Alka Dhadda and Arushi Dhadda it is again submitted that Alka Dhadda and Arushi Dhadda are the mother and sister of Vaibhav Dhadda respectively and the trades in their trading account were done by Vaibhav Dhadda. Vaibhav Dhadda has already stated before SEBI that he was transacting in Alka Dhadda’s and Arushi Dhadda’s account and that they did not know anything of the trades carried out in their account.”

31. Coming to the trades executed by Noticee no. 2, I note that the SCN alleges that Noticee no. 2 indulged in front running the trades of the Fidelity Group entities from May 29, 2019 to August 23, 2019 in the following manner.

31.1. In 68 instances, when a bulk buy order was about to come from one of the Fidelity Group entities, buy trades were executed from the trading account of Ms. Alka Dhadda, just prior to the buy order of Fidelity Group entity and sell order was placed just before or after the Fidelity Group entity in order to square off her position to earn profits. Details of 68 instances are given below:

Trade date	Symbol	Big client activity	Big order buy qty	Big order sell qty	FR buy qty	FR sell qty	Matching %	squared off diff (Rs.)
29/05/2019	GUJGASLTD	Buy	243494	0	57192	57192	14.34	280230.5
30/05/2019	POWERGRID	Buy	1179645	0	90000	90000	7.63	44052.25
30/05/2019	REDINGTON	Buy	49472	0	26365	26365	53.29	48981.9
31/05/2019	INTELLECT	Buy	95152	0	1000	1000	0.37	5818.7
31/05/2019	CONCOR	Buy	135178	0	20000	20000	14.64	91729.45
31/05/2019	REDINGTON	Buy	125305	0	75022	75022	59.87	74275.7
03/06/2019	CONCOR	Buy	49472	0	30000	30000	60.25	124733.1
04/06/2019	CONCOR	Buy	22823	0	7253	7253	-	33294.15
04/06/2019	INFY	Buy	467313	0	60000	60000	-	-31846.3

Final Order in the matter of Front Running: Various Funds of Fidelity Group

06/06/2019	AXISBANK	Buy	570133	0	150000	150000	22.59	259366.5
06/06/2019	CONCOR	Buy	61565	0	47858	47858	76.04	188295.7
10/06/2019	CONCOR	Buy	33363	0	20000	20000	59.95	54722.45
11/06/2019	CONCOR	Buy	140530	0	3514	3514	-	10585.35
12/06/2019	HGS	Buy	1875	0	1000	1000	42.03	2000
13/06/2019	SRTRANSFIN	Buy	160674	0	110000	110000	68.15	1380534
14/06/2019	SRTRANSFIN	Buy	204433	0	44937	44937	17.09	403836.1
18/06/2019	GODREJCP	Buy	618828	0	421376	421376	67.53	4729895
19/06/2019	GODREJCP	Buy	187745	0	68506	68506	36.28	383949.1
19/06/2019	PNBHOUSING	Buy	77902	0	35359	35359	45.18	127229.7
24/06/2019	SRTRANSFIN	Buy	123198	0	148614	148614	30.83	936069.9
25/06/2019	SRTRANSFIN	Buy	214201	0	144867	144867	65.36	744045.8
26/06/2019	INTELLECT	Buy	39379	0	6002	6002	15.24	14180.15
26/06/2019	SRTRANSFIN	Buy	225265	0	70000	70000	31.03	152086.9
26/06/2019	GODREJCP	Buy	32028	0	30833	30833	91.17	69445.45
28/06/2019	JBCHEPHARM	Buy	21974	0	5360	5360	24.39	7947.3
01/07/2019	CONCOR	Buy	157679	0	45555	45555	27.02	142055.8
02/07/2019	HINDOILEXP	Buy	88778	0	30251	30251	34.07	50808.15
02/07/2019	EMBASSY	Buy	187200	0	80000	80000	42.74	186220
03/07/2019	INFY	Buy	600432	0	313156	313156	50.03	539868.9
04/07/2019	EMBASSY	Buy	43600	0	3600	3600	7.34	8748
04/07/2019	ULTRACEMCO	Buy	45427	0	5257	5257	11.57	62924.8
05/07/2019	HINDOILEXP	Buy	55634	0	6739	6739	10.83	6652.1
08/07/2019	PNBHOUSING	Buy	43323	0	1586	1586	0.01	3440.65
08/07/2019	HINDOILEXP	Buy	74314	0	12649	12649	11.27	17957.7
08/07/2019	ICICIGI	Buy	31818	0	17611	17611	55.35	194832
09/07/2019	SHRIRAMCIT	Buy	3074	0	507	507	7.74	3468.3
09/07/2019	SRTRANSFIN	Buy	89369	0	11271	11271	9.05	23868.7
09/07/2019	HINDOILEXP	Buy	69730	0	11287	11287	15.25	10508
10/07/2019	POWERGRID	Buy	1114777	0	319209	319209	28.63	305090.2
11/07/2019	SRTRANSFIN	Buy	140819	0	90001	90001	63.84	448483.9
12/07/2019	PVR	Buy	39965	0	25069	25069	41.27	142055.8
15/07/2019	CONCOR	Buy	20693	0	10000	10000	48.32	39500.1
17/07/2019	GODREJCP	Buy	83115	0	130256	130256	64.32	502317.2
19/07/2019	BIOCON	Buy	824982	0	100000	100000	6.06	95394.7
19/07/2019	CUMMINSIND	Buy	47432	0	22944	22944	32.48	55414.95
19/07/2019	GICHSGFIN	Buy	5414	0	2047	2047	37.81	2110.7
22/07/2019	GICHSGFIN	Buy	29478	0	4475	4475	15.18	13465.5
18/07/2019	SHEMAROO	Buy	104327	0	56690	56690	44.92	1039076
22/07/2019	SHEMAROO	Buy	17184	0	15991	15991	88.75	139337.2
23/07/2019	SHEMAROO	Buy	67400	0	50000	50000	74.18	245536.7
24/07/2019	HINDOILEXP	Buy	23202	0	10000	10000	36.12	13360.6
25/07/2019	SRTRANSFIN	Buy	644001	0	71016	71016	-	412511.5
25/07/2019	SHEMAROO	Buy	4351	0	2000	2000	45.97	16000.65
26/07/2019	ICICIGI	Buy	41593	0	3493	3493	-	45595.95
26/07/2019	SRTRANSFIN	Buy	78748	0	2117	2117	1.31	3149.95
29/07/2019	GUJGASLTD	Buy	103685	0	14626	14626	11.72	40262.8
29/07/2019	ICICIGI	Buy	29104	0	15575	15575	41.89	109147.3
30/07/2019	GICHSGFIN	Buy	91228	0	13098	13098	14.25	76045.55
31/07/2019	GUJGASLTD	Buy	83832	0	40000	40000	1.11	21883.5
31/07/2019	GICHSGFIN	Buy	75352	0	38778	38778	51.46	130003.8
01/08/2019	INFY	Buy	622920	0	110000	110000	1.69	-1878488

01/08/2019	GICHSGFIN	Buy	18556	0	1716	1716	9.25	8251.85
02/08/2019	GICHSGFIN	Buy	66750	0	14032	14032	21.02	43193
02/08/2019	BIOCON	Buy	777592	0	311390	311390	28.38	631885.6
05/08/2019	ICICIGI	Buy	102955	0	20000	20000	19.30	225502
05/08/2019	PNBHOUSING	Buy	79730	0	15776	15776	19.79	124660.1
07/08/2019	ICICIGI	Buy	170591	0	14418	14418	8.05	-4599.25
07/08/2019	GODREJCP	Buy	396246	0	66088	66088	16.68	436745.3
Total								1,48,69,707.1

The SCN alleges that in all 68 instances, buy and sale quantity of all the trades of Ms. Alka Dhadha were same. She squared off all her positions to earn profits.

31.2. The SCN alleges that in 37 Instances, when a bulk sell order was about to come from one of the Fidelity Group entities, sell trades were executed from the trading account of Ms. Alka Dhadha, just prior to the sell order of Fidelity Group entity and buy order was placed just before or after the Fidelity Group entity in order to square off her position to earn profits. Details of 37 instances are given below:

Trade date	Symbol	Big client activity	Big order buy qty	Big order sell qty	FR buy qty	FR sell qty	Matching %	squared off diff (Rs.)
29/05/2019	ESSELPACK	Sell	0	220822	48131	48131	21.80	122234.9
04/06/2019	ESSELPACK	Sell	0	122235	45285	45285	35.42	23699.3
06/06/2019	ESSELPACK	Sell	0	91326	11448	11448	12.54	6440.6
06/06/2019	CASTROLIND	Sell	0	364053	75000	75000	20.42	167470
07/06/2019	CASTROLIND	Sell	0	514725	100174	100174	10.29	181241.8
10/06/2019	ICICIPRULI	Sell	0	212010	168853	168853	65.04	700781
10/06/2019	ICICIGI	Sell	0	68206	51184	51184	72.37	769290.4
11/06/2019	ICICIPRULI	Sell	0	158067	77189	77189	17.96	567054.7
11/06/2019	ICICIGI	Sell	0	91308	59317	59317	46.79	623974.6
12/06/2019	ESSELPACK	Sell	0	100184	40000	40000	0.16	-32475.7
13/06/2019	HDFC	Sell	0	328384	21739	21739	6.61	257098.3
13/06/2019	GSPL	Sell	0	162737	165431	165431	56.74	538758.2
14/06/2019	GSPL	Sell	0	141234	69351	69351	48.85	416475.1
14/06/2019	LTI	Sell	0	31387	30000	30000	95.35	259434.3
17/06/2019	GSPL	Sell	0	185151	68307	68307	23.26	-227536
17/06/2019	LTI	Sell	0	24022	22659	22659	94.26	339444.5
24/06/2019	HDFC	Sell	0	15541	10000	10000	57.46	37365.15
01/07/2019	CASTROLIND	Sell	0	368684	257473	257473	63.73	342500.4
02/07/2019	LTI	Sell	0	49545	14428	14428	29.12	107278.2
04/07/2019	LTI	Sell	0	84366	42038	42038	18.81	269795.8
05/07/2019	EMBASSY	Sell	0	178400	105200	105200	56.50	108952
08/07/2019	GODREJCP	Sell	0	215822	35467	35467	13.49	31094.75
11/07/2019	INFY	Sell	0	300000	114772	114772	33.33	198041.7
12/07/2019	TATACOMM	Sell	0	312537	38575	38575	11.02	128131.5

12/07/2019	ESSELPACK	Sell	0	772020	101310	101310	13.07	50581.4
15/07/2019	ESSELPACK	Sell	0	266027	78013	78013	29.14	40791.2
15/07/2019	TATACOMM	Sell	0	58700	37770	37770	62.80	142448.9
16/07/2019	TATACOMM	Sell	0	121000	8111	8111	5.20	25252.05
16/07/2019	ESSELPACK	Sell	0	127514	17035	17035	13.36	8650.25
01/08/2019	CONCOR	Sell	0	254411	70000	70000	27.51	454465.3
05/08/2019	CONCOR	Sell	0	114982	20000	20000	-	-157380
05/08/2019	HDFC	Sell	0	51383	40000	40000	53.14	190507.6
06/08/2019	LICHSGFIN	Sell	0	400000	90000	90000	14.51	390142.7
07/08/2019	CONCOR	Sell	0	70327	18735	18735	21.06	94191.1
19/08/2019	FRETAIL	Sell	0	17105	2433	2433	8.63	9822.85
23/08/2019	FRETAIL	Sell	0	449733	15000	15000	1.43	45606.85
13/06/2019	HDFCBANK	Sell	0	40402	5000	5000	7.22	59132.95
Total								72,90,758.65

From the above table it is observed that in all 37 instances, buy and sale quantity of all the trades of Ms. Alka Dhadda were same. She squared off all her positions to earn profits.

32. From the above, I find that trades were executed from the trading account of Ms. Alka Dhadda during the period May 29, 2019 to August 23, 2019 in such a way that the buy / sell trades were executed depending on the impending buy / sell orders of the Fidelity Group entities so that Ms. Alka Dhadda can benefit from the impending big buy/sell order by the Fidelity Group entities. Moreover, such instances of trades from the trading account of Alka Dhadda were repeated 105 times on different dates as detailed above, within a short period of time (approximately 3 months), implying that they were not coincidental.
33. Coming to the trades by Noticee no.3, I note that the SCN alleges that front running trades were observed to be executed in the trading account of Ms. Arushi Dhadda from May 29, 2019 to August 23, 2019 in the following manner.
 - 33.1. In 4 instances when a buy order was about to come from one of the Fidelity Group entities, buy trades were executed from the trading account of Ms. Arushi Dhadda, just prior to the buy order of Fidelity Asian Values Plc. and sell order was placed just before or after the Fidelity group entity order to square off her position to earn profits. The gist of the said four buy instances

of the aforesaid trading pattern is given below:

Trade date	Symbol	Big client activity	Big order buy qty	Big order sell qty	FR buy qty	FR sell qty	Matching %	squared off profit (Rs.)
29/05/2019	INTELLECT	Buy	9940	0	5108	5108	50.30	15193.4
29/05/2019	GICHSGFIN	Buy	11912	0	3000	3000	25.18	7164.15
31/05/2019	GUJGASLTD	Buy	243494	0	3000	3000	1.23	6142.85
01/07/2019	CONCOR	Buy	157679	0	243	243	0.15	486
Total								28,986.4

From the above table it is observed that buy and sale quantity of all the trades of Ms. Arushi Dhadda were same. She squared off all her positions to earn profits.

- 33.2. In 2 Instances, when a bulk sell order was about to come from one of the Fidelity Group entities, sell trades were executed from the trading account of Ms. Arushi Dhadda, just prior to the sell order of Fidelity Group entity. Also, buy orders were placed just before or after the sell orders of Fidelity Group entity in order to square off her position to earn profits. The gist of the said 2 sell instances of the aforesaid trading pattern is given below:

Trade date	Symbol	Big client activity	Big order buy qty	Big order sell qty	FR buy qty	FR sell qty	Matching %	squared off diff
29/05/2019	ESSELPACK	Sell	0	220822	10000	10000	4.53	35206.65
06/06/2019	CASTROLIND	Sell	0	364053	10000	10000	2.75	10405.35
Total								45,612

From the above table it is observed that buy and sale quantity of all the trades of Ms. Arushi Dhadda were same. She squared off all her positions to earn profits.

34. In view of the above, I find that from May 29, 2019 to July 01, 2019 trades were executed from the trading account of Ms. Arushi Dhadda in such a way that the buy / sell trades were executed depending on the impending buy / sell orders of the Fidelity Group entities so as to benefit from the large orders being placed by the Fidelity Group entities. I note that 6 such trades were executed from the trading account of Ms. Arushi

Dhadda and all the said trades had the aforesaid pattern. Thus, 100% of the trades from the Arushi's trading account had a common pattern, implying that they were not coincidental.

35. I also note the following details about the trading account and bank account of Ms. Alka Dhadda and Ms. Arushi Dhadda which has been noted in the SCN.
- 35.1. The trading account of Ms. Alka Dhadda was opened with Arihant Capital Markets Ltd. on May 23, 2019, which was just before the above mentioned 105 trades were carried out in the said trading account. Prior to May 29, 2019, Ms. Alka Dhadda did not have any instance of trading in any other security/contract through any trading account.
- 35.2. Further, Mr. Vaibhav Dhadda in his statement dated November 05, 2020 has submitted that he has opened the trading account of Ms. Alka Dhadda with Arihant Capital market Limited and operated through internet-based facility.
- 35.3. The e-mail id given by Ms. Alka Dhadda in her KYC is avidhadda92@gmail.com which indicates that the communication of all the trades in that account were only going to Mr. Vaibhav Dhadda.
- 35.4. The ICICI Bank account (678201502110) in the name of Ms. Alka Dhadda, linked to the aforesaid trading account, was also opened on May 23, 2019 which was just before the period when the 105 impugned trades were executed.
- 35.5. Ms. Alka Dhadda had received funds of Rs. 49,000 from Mr. Vaibhav Dhadda in the new account as per the narration in the bank statement.
- 35.6. As per IP analysis, it was observed that there were 51 unique IP addresses starting with 182, 157, 61 and 118 from which trades had been effected. The IP starting with 182, 61 and 118 are from Hong Kong, and IP starting with 157 is from Jaipur.
- 35.7. In her statement to SEBI dated November 05, 2020, Ms. Alka Dhadda has submitted that her trading account was managed by her son i.e. Mr. Vaibhav

Dhadda.

- 35.8. The trading account of Ms. Arushi Dhadda was opened with Arihant Capital Markets Ltd. on May 23, 2019, which was just before the aforementioned 6 trades were carried out in the said trading account. Prior to May 29, 2019, Arushi Dhadda did not have any instance of trading in any other security/contract through any trading account.
- 35.9. Further, Mr. Vaibhav Dhadda in his statement dated November 05, 2020 has submitted that he opened the trading account of Ms. Arushi Dhadda with Arihant Capital Markets Limited, and operated it through internet-based facility. The e-mail id given by Ms. Arushi Dhadda in her KYC is avidhadda92@gmail.com which indicates that the communication of all the trades in that account were only going to Vaibhav Dhadda.
- 35.10. The ICICI Bank account (678201502111) in the name of Ms. Alka Dhadda, linked to the aforesaid trading account, was also opened on May 23, 2019 which was just before the period when the 6 trades were executed.
- 35.11. It is seen that Ms. Arushi Dhadda received an amount of Rs. 2,00,000 from Ms. Alka Dhadda on the same day when the bank account was opened, and thereafter an amount of Rs. 15,00,000 was credited to her account on August 17, 2019 by Ms. Alka Dhadda.
- 35.12. Ms. Arushi Dhadda is shown as a “student” in the KYC of the trading account.
- 35.13. The trades from the trading account of Arushi Dhadda were executed using internet-based trading facility of the trading member. The SCN states that as per IP analysis, there were 10 unique IP addresses starting with 182, 157 and 61 from which trades had been effected. The IP starting with 182 and 61 are from Hong Kong, and IP starting with 157 is from Jaipur.
- 35.14. In her statement to SEBI dated November 05, 2020, Ms. Arushi Dhadda has submitted that her trading account was managed by her brother i.e. Mr. Vaibhav Dhadda. Mr. Vaibhav Dhadda was an employee of Fidelity Group and he was working in Hong Kong.

36. From the above facts, I note that the above-mentioned trading and bank accounts of Noticee no. 2 and 3 were opened just before the beginning of the Investigation Period and these two Noticees did not have any trading activity before opening of these accounts which implies that these accounts were opened for the purpose of carrying out the trades which were dependent on the information relating to impending big orders to be placed by the Fidelity Group entities which was available with Mr. Vaibhav Dhadda. Moreover, I also note that Mr. Vaibhav Dhadda was closely connected to the trading and bank accounts of Noticee no. 2 and 3, being their immediate relative and having fund transfers with Noticee no.2 who had fund transfers with Noticee no. 3 and his email id being connected to both their trading accounts and the fact that the IP for the impugned trades showed Hong Kong where Mr. Vaibhav Dhadda was located. I also note that in his statement dated November 05 2020, Mr. Vaibhav Dhadda has submitted on oath that he was operating the accounts of Noticee nos. 2 and 3. As discussed in the earlier paragraphs, it has been found that Mr. Vaibhav Dhadda was in possession of non- public information related to the impending buy and sell orders of the Fidelity Group entities. Therefore, from the discussions in the previous paras, I find that during the Investigation Period trades were deliberately placed in the accounts of Ms. Alka Dhadda and Ms. Arushi Dhadda, which were being operated by Mr. Vaibhav Dhadda, based on non- public information of the impending buy /sell order of the 21 Fidelity Group entities, in order to gain advantage of the impending big buy and sell orders to be placed by the Fidelity Group entities.
37. In this regard, in the matter of *SEBI vs. Kanaiyalal Baldevbhai Patel* [(2017) 15 SCC 1] the Hon'ble Supreme Court of India has discussed the nature of 'front running trades' as follows:

"17. SEBI has defined front-running in one of its circular (Circular CIR/EFD/1/2012, dated 25.05.2012) 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.

18. Further a consultative paper (Consultative Paper issued by SEBI, pursuant to a Press release No. 34/95 dated March 16, 1995) issued by SEBI had grouped front running to be an undesirable manipulative practice in the following manner- 'However, SEBI Act does not prescribe or specify as to which practice would be considered to be fraudulent and unfair trade practices. While the fraudulent and unfair trade practices are commonly understood, it would be desirable if these practices are defined specifically. ..this will bring about clarity among the intermediaries, issuers, investors and other connected persons in the securities markets about the practices that are prohibited, fraudulent and unfair. ...The draft defines fraudulent and unfair trade practices. These regulations seek to cover market manipulation on the stock exchanges also. Practices like wash sales, front-running, price rigging, artificial increasing or decreasing the prices of the securities are brought within the ambit of the regulations'(emphasis added)

19. In actuality, front-running is more complicated than these definitions suggest. It comprises of at least three forms of conduct. They are: (1) trading by third parties who are tipped on an impending block trade ("tippee" trading); (2) transactions in which the owner or purchaser of the block trade himself engages in the offsetting futures or options transaction as a means of "hedging" against price fluctuations caused by the block transaction ("self-front-running"); and (3) transactions where a intermediary with knowledge of an impending customer block order trades ahead of that order for the intermediary's own profit ("trading ahead"). In this batch of appeals we are concerned with the first and the last types of trade i.e., tippee trading and trading ahead. It is important to note that trading ahead has been explicitly recognized under regulation 4(2)(q) of FUTP 2003."

38. From the above observation of the Hon'ble Supreme Court, I find that, by trading on the basis of non-public information of impending buy/sell trades of 21 Fidelity Group entities, which was confidential information and which he had obtained by virtue of his position as a trader for the said 21 Fidelity Group entities, Mr. Vaibhav Dhadda indulged in 'front running' of the trades of the 21 Fidelity Group entities during the Investigation Period. The said front running trades were executed through the trading account of his mother, Ms. Alka Dhadda and sister, Ms. Arushi Dhadda who were also participants in the said front running activity. Regarding the nature of such front running trades, the following has been observed by the Hon'ble Supreme Court in the Kanaiyalal matter (supra):

"41. Now we come back to the regulations 3 and 4 (1) which bars persons from dealing in securities in a fraudulent manner or indulging in unfair trade practice. Fairness in financial markets is often expressed in terms of level playing field. A playing field may be uneven because of varied reasons such as inequalities in information etc. Possession of different information, which is a pervasive feature of markets, may not always be objectionable. Indeed, investors who invest resources in acquiring superior information

are entitled to exploit this advantage, thereby making markets more efficient. The unequal possession of information is fraudulent only when the information has been acquired in bad faith and thereby inducing an inequitable result for others.

42. The law of confidentiality has a bearing on this case instant. "Confidential information acquired or compiled by a corporation in the course and conduct of its business is a species of property to which the corporation has the exclusive right and benefit, and which a court of equity will protect through the injunctive process or other appropriate remedy." (W. Fletcher, Cyclopaedia of Law of Private Corporations § 857.1, p. 260 (rev. ed. 1986)) The information of possible trades that the company is going to undertake is the confidential information of the company concerned, which it has absolute liberty to deal with. Therefore, a person conveying confidential information to another person (tippee) breaches his duty prescribed by law and if the recipient of such information knows of the breach and trades, and there is an inducement to bring about an inequitable result, then the recipient tippee may be said to have committed the fraud.

43. Accordingly, non-intermediary front running may be brought under the prohibition prescribed under regulations 3 and 4 (1), for being fraudulent or unfair trade practice, provided that the ingredients under those heads are satisfied as discussed above. From the above analysis, it is clear that in order to establish charges against tippee, under regulations 3 (a), (b), (c) and (d) and 4 (1) of FUTP 2003, one needs to prove that a person who had provided the tip was under a duty to keep the non-public information under confidence, further such breach of duty was known to the tippee and he still trades thereby defrauding the person, whose orders were front-run, by inducing him to deal at the price he did.

44. Taking into consideration the facts and circumstances of the case before us and the law laid down herein above and SEBI v. Kishore R. Ajmera (Supra) can only lead to one conclusion that concerned parties to the transaction were involved in an apparent fraudulent practice violating market integrity. The parting of information with regard to an imminent bulk purchase and the subsequent transaction thereto are so intrinsically connected that no other conclusion but one of joint liability of both the initiator of the fraudulent practice and the other party who had knowingly aided in the same is possible."

39. It is noted that Mr. Vaibhav Dhadda was in possession of non-public information of the impending buy/sell orders of the 21 Fidelity Group entities by virtue of his position as sales trader for the Fidelity Group entities. Based on the said non- public information, front running trades before the trades of 21 Fidelity Group entities were carried out by Mr. Vaibhav Dhadda in the trading accounts of Ms. Alka Dhadda and Ms. Arushi Dhadda, his mother and sister, respectively, during the Investigation Period, as detailed in para 31 to 34 and Ms. Alka Dhadda and Ms. Arushi Dhadda allowed their accounts to be used for front running and thus participated in the said fraudulent activity. Such trades, as discussed above, is based on misuse of non-public information and has an adverse effect on market integrity. As noted by Hon'ble Supreme Court above, such trades are a fraudulent practice and therefore, I find that by indulging in front

running of the trades of 21 Fidelity Group entities during the Investigation Period, Noticee nos. 1, 2 and 3 have violated Sections 12A(a) and 12A(b), of the SEBI Act, 1992 read with Regulation 3(a), 3(b), 3(c), 4(1) and 4(2)(q) of PFUTP Regulations, 2003. From the trades executed in the accounts of Noticee nos. 2 and 3 during the Investigation Period, find that Ms. Alka Dhadda has made wrongful gains of Rs. 2,21,60,466 by front running the trades of Fidelity Group entities in 105 instances and Ms. Arushi Dhadda has made wrongful gains of Rs. 74,598.40 by front running the trades of Fidelity Group entities in 6 instances during the Investigation Period. I note that vide an ad interim ex parte order dated December 04, 2019 Noticee nos. 1, 2 and 3 were directed to disgorge an amount of Rs.1,86,04,343/- (Rupees One Crore Eighty Six Lakh Four Thousand Three Hundred and Forty Three Only) which they have jointly disgorged.

Allegation against Ms. Riya Jain (Noticee no. 11) and Mr. Sumit Kanungo (Noticee no. 7)

40. The SCN alleges that front running trades of some of the 21 Fidelity Group entities were also executed from the trading account of Mr. Sumit Kanungo (Noticee no. 7) by him and his wife Ms. Riya Jain (Noticee no. 11). The SCN also alleges that Ms. Riya Jain was connected to Mr. Vaibhav Dhadda as discussed herein below and that Mr. Vaibhav Dhadda also executed trades in the account of Mr. Sumit Kanungo. Ms. Riya Jain has not submitted any reply to the allegations in the SCN but stated that she knew Noticee no. 1 and his family.
41. Coming to the trades by Noticee no. 7 and 11, I note that the SCN states that front running trades were executed in the trading account of Mr. Sumit Kanungo from August 28, 2019 to November 30, 2019.
 - 41.1. The SCN states that during the said period, in 4 instances, when a bulk buy order was about to come from one of the Fidelity Group entities, buy trades were executed from the trading account of Mr. Sumit Kanungo, just prior to

the buy order of Fidelity Group entity and sell order was placed just before or after the buy order of the Fidelity Group entity in order to square off his position to earn profits. The gist of the said four buy instances of the aforesaid trading pattern is given below:

Trade date	Symbol	Big client activity	Big order buy qty	Big order sell qty	FR buy qty	FR sell qty	Matching %	squared off diff (Rs.)
20/09/2019	TATAGLOBAL	B	56193	0	2033	2033	-	5,826.85
29/08/2019	CONCOR	B	19306	0	5000	5000	84.34	10080.10
05/09/2019	ICICIGI	B	22657	0	2000	2000	98.00	8,000.00
30/08/2019	CONCOR	B	237917	0	10000	10000	99.86	56105.80
Total								80,012.75

It is observed from the above table that buy and sale quantity of all the trades of Sumit Kanungo were same. He squared off all his position to earn profits.

41.2. Further, the SCN alleges that in 21 Instances, when a bulk sell order was about to come from one of the Fidelity Group entities, sell orders were executed from the trading account of Mr. Sumit Kanungo, just prior to the sell order of Fidelity Group entity and buy order were placed just before or after the order of Fidelity Group entity in order to square off his position to earn profits. The gist of the said 21 sell instances of the aforesaid trading pattern is given below:

Trade date	Symbol	Big client activity	Big order buy qty	Big order sell qty	FR buy qty	FR sell qty	Matched qty	Matching %	squared off diff (Rs.)
28/08/2019	CUMMINSIND	Sell	0	18684	5000	5000	4994	99.88	26,754.75
29/08/2019	PHILPCARB	Sell	0	10896	3500	3500	3500	100.00	3,504.45
03/09/2019	CUMMINSIND	Sell	0	176408	5000	5000	5000	100.00	8,250.00
03/09/2019	PVR	Sell	0	23298	3486	3486	0	-	74,309.35
04/09/2019	CUMMINSIND	Sell	0	100000	5000	5000	4000	80.00	12,184.55
05/09/2019	OBEROIRLT Y	Sell	0	34952	6000	6000	4425	73.75	34,429.55
11/09/2019	CUMMINSIND	Sell	0	71669	15000	15000	14578	97.19	66,609.80
27/09/2019	CUMMINSIND	Sell	0	80000	20000	20000	8626	43.13	169,221.65
03/10/2019	HAVELLS	Sell	0	225942	15000	15000	14393	95.95	102,413.10

07/10/2019	CONCOR	Sell	0	424012	10000	10000	661	6.61	159,207.15
16/10/2019	CUMMINSIN D	Sell	0	133941	20000	20000	0	-	128,565.70
22/10/2019	LICHSGFIN	Sell	0	458311	30000	30000	30000	100.00	101,843.20
24/10/2019	GODREJCP	Sell	0	78518	10000	10000	361	3.61	32,463.70
24/10/2019	LUPIN	Sell	0	15922	15000	15000	0	-	41,225.15
25/10/2019	GODREJCP	Sell	0	197450	10000	10000	10000	100.00	23,709.90
31/10/2019	LALPATHLA B	Sell	0	16290	823	823	823	100.00	5,987.30
06/11/2019	SRTRANSFI N	Sell	0	57080	6000	6000	6000	100.00	11,365.90
20/11/2019	ICICIGI	Sell	0	22942	8000	8000	8000	100.00	34,200.70
20/11/2019	SWSOLAR	Sell	0	427000	2770	2770	0	-	11,080.00
22/11/2019	SWSOLAR	Sell	0	637038	10000	10000	10000	100.00	33,894.70
28/11/2019	BHARTIARTL	Sell	0	500000	24000	24000	3287	13.70	41,422.50
Total									11,22,643.10

It is observed from the above table that buy and sale quantity of all the trades of Sumit Kanungo were same. He squared off all his positions to earn profits.

42. The SCN gives an illustration to explain the pattern of the trades executed from the trading account of Mr. Sumit Kanungo around the trading activity of the Fidelity Group entities, which is reproduced below:

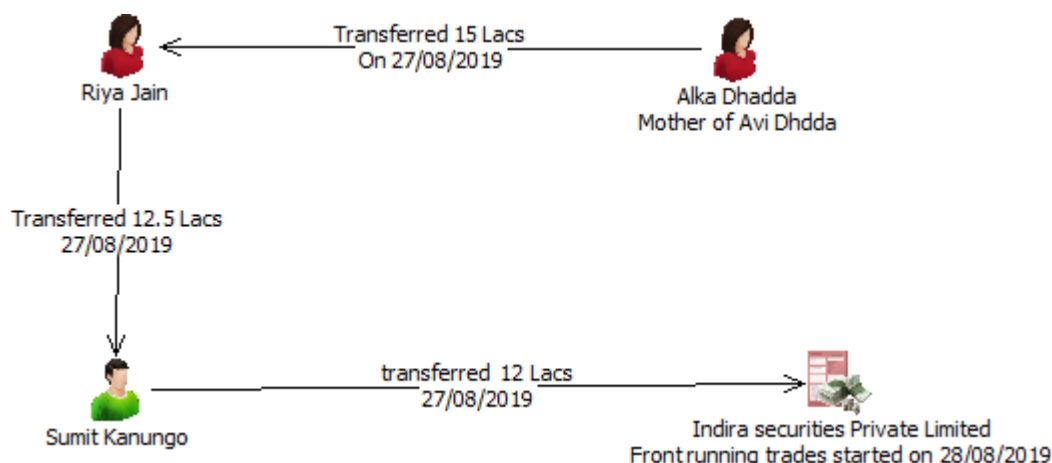
42.1. Illustration of (Sell-Sell-Buy)

Scrip of Cummins India Ltd (CUMMINSIND): On October 16, 2019, Sell order was placed from the trading account of Mr. Sumit Kanungo for 20,000 shares during 11:38:36 and 11:40:26 with a start price of Rs. 576.05 and end price of Rs. 575. Big Client Fidelity Asian Values Plc sold 56,906 shares in equity segment during 12:14:35 and 12:14:48 with a start price of Rs. 574.45 and end price of Rs. 568. Mr. Sumit Kanungo subsequently bought 20,000 shares in Equity segment during 12:14:43 and 12:14:44 with a start price of Rs. 568 and end price of Rs. 568 and earned a square off difference of Rs. 1,28,565.7.

From the above, it is noted that the sell orders from the trading account of Sumit Kanungo started before the impending sell order of the Fidelity Group entity. Further, as and when the sell order of Fidelity Group entity is placed in the system, there is a downward movement in the price of the scrip

because of the sudden surge in the number of shares available for sale vis-à-vis demand for the same and correspondingly, buy trades are getting executed from the trading account of Sumit Kanungo.

43. From the above, I find that the pattern of the above-mentioned 25 trades executed from the trading account of Mr. Sumit Kanungo reveal that they were executed depending on the information related to impending buy / sell orders of the Fidelity Group entities. Moreover, such instances of trades from the trading account of Mr. Sumit Kanungo took place within a short period of time (approximately 2 months) and were not isolated instances i.e., 25 transactions of the same nature were executed on different dates, implying that they were not coincidental.
44. Further, in addition to the trading pattern shown in the impugned trades discussed above, vis-à-vis the Fidelity Group entities, I note the following details with respect to the connection of Mr. Sumit Kanungo with Mr. Vaibhav Dhadda, the sales trader for the Fidelity group entities, as brought out in the SCN:
 - 44.1. Mr. Sumit Kanungo, in his statement to SEBI dated December 04, 2020, has submitted that Ms. Riya Jain (Kanungo), his wife, had financial transactions with Ms. Alka Dhadda, and she had taken a loan of approximately Rs.15 lakh from Ms. Alka Dhadda.
 - 44.2. In this regard, the bank statement of the said entities were further analyzed. A pictorial representation of the same is given below:



It is seen from the above pictorial representation that:

- Ms. Alka Dhadda had transferred Rs. 15 lakh to Ms. Riya Jain (Kanungo) on August 27, 2019. On the same day, Ms. Riya Jain (Kanungo) transferred Rs. 12.5 lakh to Mr. Sumit Kanungo.
- Further, on the same day Mr. Sumit Kanungo transferred Rs. 12 lakh (Out of the money received from Ms. Riya Jain) to Indira Securities Private Limited, which was the stock broker who was executing the impugned 25 trades of Mr. Sumit Kanungo in correlation with the impending trades of the Fidelity Group entities as given in para 41 and 42. The trading started from the next day from Mr. Sumit Kanungo's trading account maintained with Indira Securities Private Limited.
- There were multiple bank entries where funds have been transferred by Ms. Riya Jain (Kanungo) to Ms. Arushi Dhadda, sister of Mr. Vaibhav Dhadda. The funds were transferred on October 03, 2019, which was after the last impugned trades had been carried out by Mr. Sumit Kanungo.

44.3. Fidelity Group vide email dated November 12, 2020 submitted to SEBI an excel file which had been recovered from the desktop of Mr. Vaibhav Dhadda. The Excel file was named 'Riya Jain', and the said file contained details of

certain financial transactions. One sheet of the aforesaid Excel file has been reproduced below:

1,200,000.00	189		A	R
1,199,811.00				
10,000.00	24,387.00		20,728.95	3,658.05
	11,162.00		9,487.70	1,674.30
	51,841.00		44,064.85	7,776.15
	75,749.00		64,386.65	11,362.35
	9,822.00		8,348.70	1,473.30
	37,810.00		32,138.50	5,671.50
	59,259.00		50,370.15	8,888.85
	5,375.00		4,568.75	806.25
	159,385.00		135,477.25	23,907.75
	126,930.00		107,890.50	19,039.50
	154,350.00		131,197.50	23,152.50
	118,947.00		101,104.95	17,842.05
	92,332.00		78,482.20	13,849.80
	58,441.00		49,674.85	8,766.15
	4,500.00		3,825.00	675.00
	990,290.00		841,746.50	148,543.50
2,190,101.00				

45. From the above facts, I find that that Ms. Riya Jain, wife of Mr. Sumit Kanungo received an amount of Rs. 15 lakhs from Ms. Alka Dhadda, mother of Mr. Vaibhav Dhadda, which was eventually transferred to Mr. Sumit Kanungo and thereafter to the stock broker of Mr. Sumit Kanungo, a day before the trading in his account started on August 28, 2019. After the trading ended and profits were booked by Mr. Sumit Kanungo, there were transfers by Ms. Riya Jain to Ms. Arushi Dhadda, the sister of Mr. Vaibhav Dhadda. This fact is also corroborated from the excel sheet found on the computer of Mr. Vaibhav Dhadda which has been shared by Fidelity and given in the SCN. In the said excel sheet it appears that Initial 'A' stands for 'Avi' (Vaibhav Dhadda) and initial 'R' stands for 'Riya Jain'; and a total amount of Rs. 9,90,290 has been divided between Mr. Vaibhav Dhadda and Ms. Riya Jain in the ratio 85:15 as for every entry, 85% has been allocated to Mr. Vaibhav Dhadda and the remaining 15% has been allocated to

Ms. Riya Jain. I also note that Sumit Kanungo, by executing the above mentioned 25 trades which were dependent on the impending buy/sell orders of the Fidelity Group entities, booked a total profit of around Rs. 12 Lakh, as detailed in the subsequent paragraphs of this order (which is close to the figure in the above excel sheet). I also note that Mr. Vaibhav Dhadda has not disputed this inference in his reply and Ms. Riya Jain/ Mr. Sumit Kanungo have not submitted any reply to the SCN. Hence, I find that the bank entries found in the bank statement of Ms. Alka Dhadda, Ms. Arushi Dhadda, Mr. Sumit Kanungo and Ms. Riya Jain (Kanungo) do not arise from any loan transaction, as claimed by these Noticees in their replies, rather those transactions are transaction through which the impugned trades by Mr. Sumit Kanungo were financed by transferring money from the account of Ms. Alka Dhadda and thereafter profits were shared *inter alia* by transferring money back to the account of Ms. Arushi Dhadda. As discussed previously, Ms. Alka Dhadda and Ms. Arushi Dhadda are the mother and sister of Mr. Vaibhav Dhadda who, during the Investigation Period was in possession of confidential non- public information of impending buy/sell trades of 21 Fidelity Group entities and he along with his mother and sister had indulged in front running the trades of these 21 Fidelity Group entities. I note that the trades from the account of Mr. Sumit Kanungo was also placed in such a manner as to gain benefit from the impending trades of the same Fidelity Group entities. Moreover, I find that just before the beginning of the trades by Mr. Sumit Kanungo, his wife received finance from Ms. Alka Dhadda and after the execution of the trades, profits were shared between Mr. Vaibhav Dhadda and Ms. Riya Jain.

46. I also note that the trades from the trading account of Mr. Sumit Kanungo opened with Indira Securities Private Limited were executed using internet based trading facility of the trading member and from the details provided by the Trading Member it was observed that majority of the orders were placed from Hong Kong IP Address, the details of which has been provided to the Noticees. Interestingly, in his statement dated December 04, 2020, Mr. Sumit Kanungo has submitted that he and his wife Ms. Riya

Jain (Kanungo) both were operating his trading account. Further, it was also submitted by both of them that they have never travelled to Hong Kong and they don't even have passports. I note that, as discussed in previous paras, Mr. Vaibhav Dhadda was working in Hong Kong. Therefore, it appears that some trades in the account of Mr. Sumit Kanungo were placed by Mr. Vaibhav Dhadda.

47. I also further note that the trading account of Mr. Sumit Kanungo was opened with Indira Securities Private Limited on July 25, 2019 which was just before the period when the impugned trades started being executed from his account. Apart from this trading account, Mr. Sumit Kanungo has 5 other trading accounts with different trading members which were opened during 2007 to 2016, however, prior to August 28, 2019, Sumit Kanungo had executed his last trade 3 years before the impugned trades, on October 18, 2016. Thus, I find that although Mr. Sumit Kanungo had prior experience of trading in the securities market, his last trade before the impugned transactions was three years prior, that too from a different trading account. Additionally, although Mr. Sumit Kanungo had other trading accounts a new trading account was opened just before the beginning of the impugned trades. Therefore, I find that the trading account of Mr. Sumit Kanungo with Indira Securities was specifically opened for the purpose of carrying out the impugned trades, despite Noticee no. 7 having 5 other trading accounts.
48. In this regard, it is relevant to refer to the following observations made by the Hon'ble Supreme Court in its decision dated February 23, 2016 in *SEBI vs. Kishore R. Ajmera* (2016) 6 SCC 368.:

"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.”

49. In the above decision, the Hon'ble Supreme Court observes that in cases of alleged manipulative trades in the securities market the conclusion has to be arrived at based on all attending circumstances to the impugned transactions. In the present case, the fact that Ms. Riya Jain received money from the mother of Mr. Vaibhav Dhadda and the fact that profits were shared between Mr. Sumit Kanungo/ Ms. Riya Jain and Vaibhav Dhadda as well as the fact that the majority of the trades in the account of Mr. Sumit Kanungo were placed from Hong Kong and they were placed in a manner as to gain benefit from the impending trades of Fidelity Group entities; the same entities where Mr. Vaibhav Dhadda was the trader and was in possession of information about their impending buy/ sell trades, and the same entities whose trades were front run by Mr. Vaibhav Dhadda along with his mother and sister, all point to the fact that the impugned 25 trades in the account of Mr. Sumit Kanungo was in the nature of front running trades which were placed in order to front run the impending buy/ sell order of some of the 21 Fidelity Group entities. In view of the above mentioned facts and circumstances, I find that Mr. Sumit Kanungo and Ms. Riya Jain both participated in the front running activity and have violated Sections 12A(a) and 12A(b) of the SEBI Act, 1992 read with Regulation 3(a), 3(b), 3(c), 4(1) and 4(2)(q) of PFUTP Regulations, 2003. From the trades of Mr. Sumit Kanungo during the Investigation Period, I find that he and Ms. Riya Jain have made wrongful gains of Rs. 12,02,655.85 by front running the trades of Fidelity Group entities in 25 instances.

Allegation against Mr. Aditya Barla (Noticee no.6)

50. The SCN alleges that front running trades of some of the 21 Fidelity Group entities were also executed from the trading account of Mr. Aditya Barla (Noticee no. 6). The SCN alleges that Noticee no. 6 was connected to Mr. Vaibhav Dhadda as discussed herein below. Noticee no. 6, in his replies to the SCN dated August 09, 2021 and January 25, 2022 has submitted that his trading account was opened on December 29, 2017 i.e. more than 1 year before the alleged period of front running and that he

had been regularly trading in the securities market since 2017 and the impugned trades in Noticee's trading account was independent and had no concern/relation/connection with the trading done by the Fidelity Group Entities during that period. He has also submitted that if he was trading on the basis of the information of impending buy/sell orders of Fidelity Group Entities (at the instance of Vaibhav Dhadda, as alleged) then he would have traded further from 1st June, 2019 to 30th November, 2019, which admittedly is not the case. He has also stated in his replies that he did not have a close relationship with Mr. Vaibhav Dhadda and family and they were acquainted since Indians are very scarce in numbers in Hong Kong and a lot of Indians have tendency to become a part of any such social groups/associations where they find a group of Indians. He has also stated that he travelled with Vaibhav Dhadda on 18th April, 2019 to 22nd April, 2019 and during this time no orders were placed by him. With respect to the allegation of connection with Ms. Alka Dhadda, Noticee no. 6 has state din his replies that she had sold a gemstone ring to the Noticee for a sum of Rs. 2,00,000/-, because of which there was a financial transaction between the Noticee and her on May 17 and 19, 2019. Other than that, there was no relation or proximity with Ms. Alka Dhadda. As the Noticee is a dealer in gemstones and jewelry in Hong Kong, she was just like one amongst other individuals who would approach the Noticee only in respect of dealing in gemstones.

51. Coming to the trades of Noticee no. 6, I note that the SCN alleges that front running trades were executed in the trading account of Mr. Aditya Barla in the following manner.

51.1. In 21 instances, when a bulk buy order was about to come from one of the Fidelity Group entities, buy trades were executed from the trading account of Mr. Aditya Barla just prior to the buy order of Fidelity Group entity and sell order was placed just before or after the Fidelity Group entities order to square off his position to earn profits. The gist of the said 21 buy instances of the aforesaid trading pattern is given below:

Trade date	Symbol	Big client activity	Big order buy qty	Big order sell qty	FR buy qty	FR sell qty	Matching %	squared off diff (Rs.)
14/02/2019	POWERGRID	Buy	4939956	0	291725	291725	-	307865
14/02/2019	PTC	Buy	48420	0	6219	6219	-	8290.55
15/02/2019	PTC	Buy	30441	0	1225	1225	-	1213.1
19/02/2019	INFY	Buy	67560	0	5000	5000	-	27087.3
11/03/2019	POWERGRID	Buy	670000	0	18051	18051	-	45512.2
01/04/2019	HINDALCO	Buy	822035	0	4000	4000	-	12369.1
04/04/2019	HGS	Buy	420110	0	1139	1139	-	3546.8
11/03/2019	NMDC	Buy	390654	0	50000	50000	4.13	23420.1
12/03/2019	POWERGRID	Buy	1191278	0	164093	164093	43.71	8476.6
22/02/2019	ESSELPACK	Buy	45372	0	49959	49959	62.75	43952.7
15/02/2019	POWERGRID	Buy	1279153	0	132237	132237	84.80	74209.4
05/04/2019	ICICIGI	Buy	10547	112610	8651	8651	93.52	26664.7
18/02/2019	INFY	Buy	532820	0	25533	25533	97.44	83243.2
21/02/2019	HGS	Buy	31467	0	20000	20000	100.00	759990
15/02/2019	LUPIN	Buy	120571	0	10000	10000	100.00	34454.1
18/02/2019	ESSELPACK	Buy	21640	64344	14390	14390	100.00	21585
25/02/2019	PIDILITIND	Buy	62012	0	10000	10000	100.00	187320
06/03/2019	GSPL	Buy	23879	0	10000	10000	100.00	45451.8
08/03/2019	NMDC	Buy	2622000	0	175000	175000	100.00	64214.4
08/04/2019	ICICIGI	Buy	52597	0	7324	7324	100.00	29302.4
08/05/2019	HDFCLIFE	Buy	170664	0	13718	13718	100.00	14133.5
Total								18,22,301.95

From the above table it is observed that that buy and sale quantity of all the trades of Mr. Aditya Barla were same. He squared off all his trades to earn profits.

51.2. In 9 Instances, when a bulk sell order was about to come from any of the Fidelity Group entities, sell trades were executed from the trading account of Mr. Aditya Barla just prior to the sell order of Fidelity Group entity and buy order was placed just before or after the Fidelity Group entities order to square off his position to earn profits. The gist of the said nine sell instances of the aforesaid trading pattern is given below:

Trade date	Symbol	Big client activity	Big order buy qty	Big order sell qty	FR buy qty	FR sell qty	Matching %	squared off diff (Rs.)
01/04/2019	M&M	Sell	0	124772	5000	5000	-	12352.7
08/05/2019	HDFC	Sell	0	182071	50000	50000	50.73	328151
05/04/2019	HAVELLS	Sell	0	332391	25000	25000	90.76	78784.8
19/03/2019	JUSTDIAL	Sell	0	283243	20000	20000	93.13	160504

02/04/2019	HDFCBANK	Sell	0	22080	8000	8000	96.58	17090.5
09/04/2019	SOBHA	Sell	0	53725	50000	50000	97.33	275219
02/04/2019	SOBHA	Sell	0	34000	16880	16880	99.14	66674.2
01/04/2019	EICHERMOT	Sell	0	1320	35	35	100.00	1750
02/04/2019	GODREJCP	Sell	0	13063	10000	10000	100.00	19003.3
Total								9,59,529.5

From the above table it is observed that buy and sale quantity of all the trades of Mr. Aditya Barla were same. He squared off all his position to earn profits.

52. The SCN also gives a few illustrations to explain the pattern of the trades executed from the trading account of Mr. Aditya Barla around the trading activity of any of the Fidelity Group entities, while the details of all the 30 instances, which is reproduced below:

52.1. Illustration of (Buy –Buy-Sell)

Scrip of Lupin Limited (LUPIN): On February 15, 2019, Mr. Aditya Barla bought 10000 shares between 10:46:01 and 11:24:09 with a start price of Rs. 785.4 and end price of Rs. 785.95 (i.e. at an avg price of Rs.786.05). Big Client Fidelity Asian Values Plc bought 1,20,571 shares in equity segment between 10:49:44 and 11:32:37 with a start price of Rs. 785.25 and end price of Rs. 786.5 (i.e. at an avg price of Rs.788.25). Mr. Aditya Barla subsequently sold 10,000 shares in Equity segment between 10:49:56 and 11:27:42 with a start price of Rs. 790 and end price of Rs. 789 (i.e. at an avg price of Rs.789.50) and earned a square off difference of Rs. 34454.1. Mr. Aditya Barla has 100% match trade with the Big Client Fidelity Asian Values Plc.

- 52.2. From the above mentioned illustration, it is observed that the buy order from the trading account of Mr. Aditya Barla was placed before the impending buy order of Fidelity Asian Values Plc. Further, as and when the buy order of Fidelity Asian Values Plc. is placed in the system, because of the sudden surge in demand for a considerable quantity, there is an upward movement in the price of the scrip and correspondingly, sell trade was executed from the trading account of Mr. Aditya Barla.

52.3. Illustration of (Sell-Sell-Buy)

Scrip of Sobha Ltd (SOBHA): On April 09, 2019, Mr. Aditya Barla sold 50,000 shares in Equity segment between 09:24:40 and 10:18:42 with a start price of Rs. 510.45 and end price of Rs. 505 (i.e. at an avg price of Rs.507.70). Big Client Fidelity Asian Values Plc sold 53,725 shares in equity segment between 11:03:44 and 11:18:49 with a start price of Rs. 503.95 and end price of Rs. 502 (i.e. at an avg price of Rs.502.28). Mr. Aditya Barla subsequently bought 50,000 shares in Equity segment between 11:03:45 and 11:18:48 with a start price of Rs. 503 and end price of Rs. 502 (i.e. at an avg price of Rs.502.20) and earned a square off difference of Rs. 275218.5. Mr. Aditya Barla has 97.33% of match trade with the Big Client Fidelity Asian Values Plc.

52.4. Thus, from the above illustration, it is observed that the sell orders from the trading account of Mr. Aditya Barla started before the impending sell order of the Fidelity Group entity. Further, as and when the sell order of Fidelity Group entity is placed in the system, there is a downward movement in the price of the scrip because of the sudden surge in the number of shares available for sale vis-à-vis demand for the same and correspondingly, buy trades are getting executed from the trading account of Mr. Aditya Barla and same matched with Fidelity Group entity.

53. From the above, I find that the pattern of the above-mentioned 30 trades executed from the trading account of Mr. Aditya Barla reveal that they were executed depending on information related to the impending buy / sell orders of the Fidelity Group entities. Moreover, such instances of trades from the trading account of Mr. Aditya Barla took place within a short period of time, i.e. February 14, 2019 to May 08, 2019 (approximately 3 months) and were not isolated instances i.e. 30 transactions of the same nature were executed on different dates, implying that they were not coincidental.

54. I also note the following from the SCN:

54.1. In his statement dated November 05, 2020, Mr. Vaibhav Dhadda has submitted that Mr. Aditya Barla was his friend, and he had known him for the last two-three years. It was also submitted that he had travelled with Mr. Aditya Barla and his wife Ms. Ishu Soni from Hong Kong to Manila on a family trip from April 18, 2019 to April 22, 2019.

54.2. Fidelity Group conducted an internal investigation on the conduct of Mr. Vaibhav Dhadda, which included forensic review of Mr. Vaibhav Dhadda's desktop, personal mobile etc. Consequent to this, vide email dated October 29, 2020 to SEBI, Fidelity Group submitted copy of an air travel ticket, in which Mr. Vaibhav Dhadda and Mr. Aditya Barla travelled from Hong Kong to Manila on April 2019 on the same PNR. Mr. Vaibhav Dhadda had booked the tickets; hence, Vaibhav Dhadda received the ticket through an email.

54.3. In her statement dated November 05, 2020, Ms. Arushi Dhadda has also submitted that she knows Mr. Aditya Barla and his wife, Ms. Ishu Soni. It is seen that Mr. Aditya Barla is/was a friend of Ms. Arushi Dhadda on the social-networking site, Facebook.

54.4. By way of an email dated August 11, 2020, Ms. Alka Dhadda informed that she had sold a gemstone ring to Mr. Aditya Barla. Regarding this transaction, Ms. Alka Dhadda in her statement dated November 05, 2020 has submitted that she had sold her ring to Mr. Aditya Barla in Hong Kong at a jewelry store. Mr. Aditya Barla had given her 20,000 Hong Kong dollars as a security. After Mr. Aditya Barla had transferred Rs. 2,00,000 to her Indian bank account she returned the 20,000 Hong Kong Dollars to him. From the bank statement of Ms. Alka Dhadda, it is observed that she had received money from Mr. Aditya Barla on May 17 & 19, 2019 in her Indian bank account for the said sale.

55. I note that in his reply Noticee no. 6 has denied that he knew Mr. Vaibhav Dhadda and

family and stated that they travelled together to Philippines as part of a larger group of India expatriates living in Hong Kong. In my view, this explanation of Mr. Aditya Barla cannot be taken at face value because Mr. Vaibhav Dhadda had booked the ticket on behalf of Mr. Aditya Barla and his wife for the said trip. Assuming that they were mere acquaintances and part of a larger group of travelers, there is no explanation as to why Mr. Vaibhav Dhadda bought or sponsored the tickets for Mr. Aditya Barla. From the same, it can be inferred that Mr. Vaibhav Dhadda and Noticee no. 6 were not mere acquaintances but knew each other closely. Regarding transaction of Rs. 2,00,000, Ms. Alka Dhadda and Noticee no. 6 have submitted that Ms. Alka Dhadda had sold her ring to Mr. Aditya Barla in Hong Kong at a jewelry store and that Mr. Aditya Barla had given her 20,000 Hong Kong dollars as a security and after Aditya Barla had transferred Rs. 2,00,000 to her Indian bank account she returned 20000 Hong Kong Dollars to him. In this regard, I note that from the bank statement of Ms. Alka Dhadda that Ms. Alka Dhadda had received money from Mr. Aditya Barla on May 17 & 19, 2019 in her Indian bank account. I note that under normal circumstances, if anyone sells something to an unknown person in the market, then the same is expected to be settled immediately and in the domestic currency i.e. Hong Kong Dollars. However, in this case, Ms. Alka Dhadda had received money after two and three days that too in her Indian bank account. In view of the same, and in view of the close association between Mr. Vaibhav Dhadda and Mr. Aditya Barla discussed earlier, I am unable to accept the explanation provided by Ms. Alka Dhadda and Mr. Aditya Barla in this regard, and find that there were unexplained fund transactions between Mr. Aditya Barla and Ms. Alka Dhadda, on May 17 and 19, 2019, i.e. around the same time that Mr. Aditya Barla was executing trades which were depending on the impending buy / sell orders of the Fidelity Group entities. In view of discussions above, I find that Dhadda family including Mr. Vaibhav Dhadda were connected to Mr. Aditya Barla.

56. I also note from the SCN that the trades from the trading account of Mr. Aditya Barla maintained with Arihant Capital Markets Ltd. were executed using internet based

trading facility of the trading member. On analysis of the IP addresses used for accessing such internet facility from Arihant Capital Markets Ltd., the SCN states that there were 129 unique IP addresses through which trading was being carried out. Some of the IP addresses, which were starting with 103, 112, 124, 182, 203, 210, 218, 58 and 61 are from Hong Kong and some of the IP starting with 122 and 180 is from Philippines. The findings of investigation also note that vide email dated December 22, 2020, IP address of Mr. Aditya Barla were shared with Fidelity and they were asked to verify whether IP address of Aditya Barla matches with IP address of Mr. Vaibhav Dhadda which were recovered in forensic review. In reply to the aforesaid email, Fidelity vide email dated January 05, 2021 submitted that 9 IP address from which trades were placed from the account of Mr. Aditya Barla are matching with IP Address of Mr. Vaibhav Dhadda, as revealed in the forensic review. This further, fortifies the inference that not only was Mr. Aditya Barla connected to Mr. Vaibhav Dhadda but Mr. Aditya Barla's trading account was being accessed from the IP address of Mr. Vaibhav Dhadda during the Investigation Period.

57. From the above, I find that Mr. Aditya Barla is a close associate of Mr. Vaibhav Dhadda and his family and had fund transactions with the family of Mr. Vaibhav Dhadda around the same time that Mr. Aditya Barla was executing trades which were depending on the impending buy / sell orders of the Fidelity Group entities. As discussed earlier, Mr. Vaibhav Dhadda was the trader for the Fidelity Group entities and was in possession of information about the impending buy/ sell trades of the same Fidelity Group entities, and the trades of some these 21 Fidelity Group entities were front run also by Mr. Vaibhav Dhadda along with his mother and sister. Moreover, some of the trades in the account of Mr. Aditya Barla were placed from the IP address of Mr. Vaibhav Dhadda. All these facts lead to the preponderance of probabilities that, the impugned 30 trades in the account of Mr. Aditya Barla was also in the nature of front running trades which were placed in order to front run the impending buy/ sell order of the 21 Fidelity Group entities, based on the non-public information available with Mr. Vaibhav Dhadda, which

he shared with Noticee no.6. Thus, from the discussions in the previous paras, I find that Mr. Aditya Barla participated in the front running activity and have violated Sections 12A(a) and 12A(b) of the SEBI Act, 1992 read with Regulation 3(a), 3(b), 3(c), 4(1) and 4(2)(q) of PFUTP Regulations, 2003. From the trades of Mr. Aditya Barla during the Investigation Period, I find that he had made wrongful gains of Rs. 27,81,831.45 by front running the trades of Fidelity Group entities in 30 instances.

Allegation against Ms. Beena Jain (Noticee no.5), Mr. Prashant Jain (Noticee no.8), Mr. Pranay Vaid (Noticee no.9), Mr. Pramod Jain -(HUF) (Noticee no. 4) and Mr. Siddharth Jain (Noticee no. 10)

58. The SCN alleges that front running trades of some of the 21 Fidelity Group entities were also executed from the trading account of Ms. Beena Jain (Noticee no. 5) and that the trading account of Ms. Beena Jain was being managed by Mr. Prashant Jain (Noticee no. 8) and trades were being placed by Mr. Pranay Vaid (Noticee no.9)/ Mr. Prashant Jain (Noticee no. 8). The SCN also alleges that Noticee no. 5 was connected to Mr. Vaibhav Dhadda, as discussed herein below.
59. In response to the same, Noticee nos. 5 and 8 have submitted that they are not aware as to how a copy of the PAN card of Ms. Beena Jain (Noticee no. 5) was found on the computer of Mr. Vaibhav Dhadda. They have submitted that due to the serious and critical health issues faced by Ms. Beena Jain, the trading account of Ms. Beena Jain which was opened with Arihant Capital Markets Ltd. in August 2019 was also accessed by her son Mr. Prashant Jain but although the said account was opened by them, they had never done even a single trade in the said account and the entire trades including the alleged trades were done by Mr. Pranay Vaid in the said account. They have submitted that neither they nor any member of their family are in any manner connected to Mr. Vaibhav Dhadda or any of his relatives, nor have they ever travelled to Hong Kong or any other place. Regarding the IP address for the impugned trades,

these Noticees have submitted that since the alleged trades were executed by Mr. Pranay Vaid and since no report is provided by Mr. Pranay Vaid or by Arihant Capital Markets Ltd. to Noticees as to how the alleged trades were being routed at the back end they are not aware of the IP addresses for the trades. These Noticees have also stated that even assuming that Noticee 8 was operating the account of Noticee 5, it was only due to Noticee 5 being indisposed at the relevant time and under such circumstance, alleging violations against both Noticee 5 and Noticee 8 is not maintainable. These Noticees have also alleged that the scan of the PAN Card in possession of Noticee 1 is identical to the KYC document available with Arihant Capital Markets Ltd. and thus, it is possible that the stock broker shared the PAN Card of Noticee 5 with Noticee 1 without any consent or permission of the Noticees.

60. Coming to the trades executed from the trading account of Ms. Beena Jain held with Arihant Capital Markets Ltd., I note that the SCN alleges that front running trades were executed in the trading account of Beena Jain in the following manner.

60.1. In 15 instances, when a bulk buy order was about to come from one of the Fidelity Group entities, buy trades were executed from the trading account of Ms. Beena Jain, just prior to the buy order of Fidelity Group entity and sell order was placed just before or after the Fidelity Group entity orders to square off her position to earn profits. The gist of the said 15 buy instances of the aforesaid trading pattern is given below:

Trade date	Symbol	Big client activity	Big order buy qty	Big order sell qty	FR buy qty	FR sell qty	Matching %	squared off diff (Rs.)
20/09/2019	TATAGLOBAL	B	56193	0	30,000	30,000	-	110149.7
23/09/2019	TATAGLOBAL	B	1824396	0	30,000	30,000	1.37	104433.85
23/09/2019	GODREJCP	B	1275844	0	26,800	26,800	2.10	92315.9
24/10/2019	SUNTV	B	175016	0	7,422	7,422	3.28	8346.65
17/10/2019	GRANULES	B	73,027	0	3,390	3,390	3.60	2,690.45
29/10/2019	SUNTV	B	175,000	0	23,177	23,177	4.14	45,846.20
29/10/2019	SRTRANSFIN	B	185,150	0	10,000	10,000	4.85	153,838.15
03/09/2019	VOLTAMP	B	50,000	0	3,500	3,500	5.82	105,000.00
03/09/2019	ICICIGI	B	145,000	0	20,000	20,000	12.06	74,927.25
01/11/2019	SRTRANSFIN	B	118,858	0	35,000	35,000	12.72	415,232.95
22/10/2019	GRANULES	B	551,512	0	143,777	143,777	13.99	294,941.90

27/09/2019	GODREJCP	B	147,227	0	20,965	20,965	14.24	51,719.05
20/09/2019	GODREJCP	B	200,000	0	38,063	38,063	18.41	213,768.65
05/09/2019	ICICIGI	B	22,657	0	4,721	4,721	19.20	14,384.50
06/09/2019	ICICIGI	B	14,839	0	10,000	10,000	60.64	60,152.45
Total								17,47,747.65

From the above table it is seen that buy and sale quantity of all the trades of Ms. Beena Jain were same. She squared off all her position to earn profits.

60.2. Further, in 19 Instances, when a bulk sell order was about to come from one of the Fidelity Group entities, sell trades were executed from the trading account of Ms. Beena Jain, just prior to the sell order of Fidelity Group entity and buy order was placed just before or after the Fidelity Group entity orders to square off her position to earn profits (Sell-Sell-Buy). The gist of the said 19 sell instances of the aforesaid trading pattern is given below:

Trade date	Symbol	Big client activity	Big order buy qty	Big order sell qty	FR buy qty	FR sell qty	Matching %	squared off diff (Rs.)
22/11/2019	ICICIGI	Sell	0	17000	3,096	3,096	-	80713.7
04/11/2019	SRTRANSFIN	Sell	0	48,625	8,160	8,160	1.82	27,654.10
22/10/2019	LICHSGFIN	Sell	0	458,311	25,000	25,000	5.45	44,396.65
04/11/2019	CONCOR	Sell	0	54,916	10,000	10,000	5.46	2,053.90
24/10/2019	GODREJCP	Sell	0	78,518	18,561	18,561	6.32	126,328.10
25/10/2019	LICHSGFIN	Sell	0	328271	25,000	25,000	7.62	27272.15
20/09/2019	M&M	Sell	0	706,431	61,500	61,500	7.80	99,030.80
16/10/2019	CUMMINSIND	Sell	0	56,906	5,000	5,000	8.79	55,135.45
30/10/2019	SRTRANSFIN	Sell	180624	204829	20,000	20,000	9.76	381201.55
29/08/2019	PVR	Sell	0	47,865	5,000	5,000	10.45	18,031.90
24/10/2019	LUPIN	Sell	0	120,784	13,401	13,401	11.10	28,860.45
28/08/2019	CONCOR	Sell	0	84224	10,000	10,000	11.87	82606.85
28/08/2019	CUMMINSIND	Sell	0	18684	2,471	2,471	13.23	11260.6
04/09/2019	CUMMINSIND	Sell	0	100,000	20,628	20,628	17.63	100,195.55
27/09/2019	CUMMINSIND	Sell	0	37,110	10,000	10,000	19.85	63,475.90
03/09/2019	PVR	Sell	0	23,298	5,000	5,000	20.91	35,023.30
26/11/2019	CUMMINSIND	Sell	0	61,300	15,352	15,352	24.72	57,660.20
01/11/2019	CONCOR	Sell	0	77906	50,000	50,000	48.22	552770.5
23/10/2019	SRTRANSFIN	Sell	0	2,192	21571	21571	0.00	76577.05
Total								18,70,248.7

60.3. From the above table it is observed that buy and sale quantity of all the trades of Ms. Beena Jain were same. She squared off all her positions to earn profits.

61. The SCN gives a few illustrations to explain the pattern of the trades executed from the trading account of Ms. Beena Jain around the trading activity Fidelity Group entities, which are reproduced below:

61.1. Illustration of (Buy –Buy-Sell)

Scrip of ICICI Lombard General Insurance Co Ltd (ICICIGI): On September 03, 2019, Ms. Beena Jain bought 20,000 shares during 12:12:16 and 13:11:22 with a start price of Rs. 1266.75 and end price of Rs. 1265. Big Client Fidelity Asian Values Plc bought 1,45,000 shares in equity segment during 13:17:09 and 13:20:41 with a start price of Rs. 1258.75 and end price of Rs. 1270. Ms. Beena Jain subsequently sold 20,000 shares in Equity segment during 13:20:13 and 13:21:07 with a start price of Rs. 1270, end price of Rs. 1262.05, and earned a square off difference of Rs. 74,927.25.

61.2. The above illustration shows that the buy order from the trading account of Beena Jain was placed before the impending buy order of Fidelity Asian Values Plc. Further, as and when the buy order of Fidelity Asian Values Plc. is placed in the system, because of the sudden surge in demand for a considerable quantity, there is an upward movement in the price of the scrip and correspondingly, sell trade was executed from the trading account of Ms. Beena Jain.

61.3. Illustration of (Sell-Sell-Buy)

Scrip of Mahindra & Mahindra Limited (M&M): On September 20, 2019, Ms. Beena Jain sold 61,500 shares during 11:31:50 and 11:34:13 with a start price of Rs. 550.3 and end price of Rs. 546.2. Big Client Fidelity Asian Values Plc sold 7,06,431 shares in equity segment during 12:02:23 and 12:07:41 with a start price of Rs. 558.05 and end price of Rs. 546.6. Beena Jain subsequently bought 61500 shares in Equity segment during 12:06:59 and 12:07:38 with a start price of Rs. 546.5 and end price of Rs. 547 and earned a square off difference of Rs. 99,030.8.

61.4. The above illustration shows that the sell orders from the trading account of

Ms. Beena Jain started before the impending sell order of the Fidelity Group entity. Further, as and when the sell order of Fidelity Group entity is placed in the system, there is a downward movement in the price of the scrip because of the sudden surge in the number of shares available for sale vis-à-vis demand for the same and correspondingly, buy trades were getting executed from the trading account of Beena Jain.

62. From the above, I find that the pattern of the above-mentioned 35 trades executed from the trading account of Ms. Beena Jain reveal that they were executed depending on the information relating to impending buy / sell orders of the Fidelity Group entities. Moreover, such instances of trades from the trading account of Ms. Beena Jain took place within a short period of time (approximately 3 months) and were not isolated instances i.e. 35 transactions of the same nature were executed on different dates, implying that they were not coincidental.
63. I note that regarding the example of trading in the scrip of ICICIGI on September 03, 2019 stated in the SCN, mentioned above, Noticee no. 5 has stated that 9,54,800 was the total quantity traded on that day of the script in question which means that Beena and Prashant Jain contributed merely 2.09% (20,000 shares) from the total volume traded on that relevant day, and 82.72% volume contributed was by other entities which has not been considered by the Investigating Officer. In this regard, I note that the pattern of trading by Ms. Beena Jain show that trades were being executed from her account from August 28, 2019 to November 26, 2019 which was linked to the impending trades of some of the 21 Fidelity Group entities. These kind of trades took place in 35 instances over a short period of three months. The percentage of these trades to the total volume traded in those particular scrips does not dilute the fact that the timing of the sell and buy in these 35 impugned trades by Ms. Beena Jain bears correlation with the buy and sell timing of the big orders by some of the 21 Fidelity Group entities in the same scrips.

64. Coming to the connection between Ms. Beena Jain and Mr. Vaibhav Dhadda, I note that as per the submissions made by Beena Jain in the present proceedings, she is 58 years and she is living in Indore and her health has not been well. The SCN notes that Fidelity Group, vide email dated October 29, 2020 to SEBI, shared an email copy wherein the PAN card of Ms. Beena Jain had been shared by Mr. Vaibhav Dhadda's gmail account with his official (i.e. Fidelity) email id. On both sides of the said email was Mr. Vaibhav Dhadda i.e. the recipient and the sender of the copy of the PAN card on email was Mr. Vaibhav Dhadda. I note that in his statement dated November 05, 2020, Vaibhav Dhadda has submitted that he is the only one who had access to his gmail and official email id, and that he did not remember when this PAN card was shared from his gmail account with his official email id. The date of the email is September 16, 2019 and front running activities in Beena Jain's trading account took place during the same time period i.e. August 28, 2019 to November 26, 2019. The SCN also notes that Ms. Beena Jain has submitted that she has not been operating her account. Her account has been opened by her son Mr. Prashant Jain and in his statement dated December 03, 2020, Mr. Prashant Jain has submitted that he opened the trading account on behalf of his mother Ms. Beena Jain and his mobile number and email id had been provided in Ms. Beena Jain's trading account/KYC and that the trading account of Ms. Beena Jain was operated by Mr. Pranay Vaid, who is a friend of Mr. Prashant Jain. The SCN further notes that trading account of Ms. Beena Jain was opened with Arihant Capital Market Limited on August 23, 2019, which was just before the period when the front running trades were executed in her account. The SCN also notes that apart from the trading account which was opened with Arihant Capital Market Limited on August 23, 2019, Ms. Beena Jain had one other trading account with Nirman Share Brokers Pvt. Ltd. which was opened in 2017. However, before the Investigation Period has executed her last trade 2 years before i.e. on December 26, 2017 through another trading member (Nirman Share Brokers Pvt.Ltd). Hence, Beena Jain was not an active trader in the securities market prior to the

investigation period.

65. I note that the fact that a copy of the PAN card of Ms. Beena Jain was emailed by Mr. Vaibhav Dhadda from one of his email IDs to the other has not been denied by any of the Noticees. Mr. Vaibhav Dhadda, in his reply dated July 21, 2021 has stated that he is unaware as to how the PAN card copy was found on his computer and that other traders on the floor where he used to sit in his office could also have had access to his computer. Mr. Beena Jain and Mr. Prashant Jain have stated that they have no idea about how the said PAN card was found on the computer of Mr. Vaibhav Dhadda who they do not know at all. I am of the view that this particular fact has to be seen in light of the attending circumstances such as:

- a) This particular email from one account of Mr. Vaibhav Dhadda to another account was during the same time that impugned trades were being executed in the account of Ms. Beena Jain which had a correlation with impending big orders of some of the Fidelity Group entities, as detailed above. I cannot accept the submission of Noticee no. 5 that since the email was 24 days after the beginning of such trades it loses its evidentiary value. This was the date on which Mr. Vaibhav Dhadda emailed the copy of the PAN between two of his email IDs. He could have obtained the copy of the PAN much before this date. It is not the date on which PAN card of Ms. Beena Jain was shared by Mr. Vaibhav Dhadda to one of his email accounts to another of his email account, rather it is the existence of PAN pf Ms. Beena Jain in the possession of Mr. Vaibhav Dhadda which is crucial. I note that Noticee no. 5 continued to trade from August till November, 2019.
- b) Ms. Beena Jain's trading account with Arihant Capital Market Limited was opened on August 23, 2019, i.e. 5 days before the start of the impugned trades on August 28, 2019. The date of opening of account has not been denied by Ms. Beena Jain.
- c) During cross examination, Mr. Prashant Jain has tried to submit that his family

was a regular investor in the securities market. Be that as it may, Ms. Beena Jain had last traded in the stock market 2 years before the start of the impugned trades. So she was not an active investor in securities market and started suddenly trading heavily in large volumes, repeatedly with a similar pattern ,i.e. trades which were dependent on impending big orders of the Fidelity Group entities, from August, 2019.

- d) Mr. Vaibhav Dhadda was a trader for 21 Fidelity Group entities and he was also indulging in front running the impending trades of 21 Fidelity Group entities along with his mother and sister during August to November, 2019

In my view, all these above mentioned attending circumstances can only lead to the conclusion that the fact that the PAN copy of Ms. Beena Jain was found on the computer of Mr. Vaibhav Dhadda was not a random coincidence; these circumstances show that Mr. Vaibhav Dhadda was connected to Mr. Beena Jain. The connection between Mr. Vaibhav Dhadda and Ms. Beena Jain and the pattern of trades executed from the account of Ms. Beena Jain leads to the preponderance of probabilities that the 35 impugned trades in the account of Ms. Beena Jain was in the nature of front running trades which were placed in order to front run the impending buy/ sell order of the 21 Fidelity Group entities, based on the non-public information available with Mr. Vaibhav Dhadda.

66. I further note that Noticee nos. 5 and 8 have also submitted that Noticee 5 has been trading with Arihant Capital Markets Ltd. since August 28, 2019, up until July 23, 2020 and Noticee 5 has executed 121 trades from August 23, 2019 and that out of the said 121 trades, SEBI has only sought to impugn only 15 instances of bulk buy orders and 19 instances of bulk sell orders trades in Fidelity Group. In this regard, I note that these 34 trades have been impugned in the totality of facts and circumstances viz., Mr. Vaibhav Dhadda was front running the trades of Fidelity Group entities through his connected entities and Ms. Beena Jain has been shown to be one of the connected entities of Mr. Vaibhav Dhadda and these 34 trades were executed in anticipation of

impending trades of the Fidelity Group entities. Therefore, the fact that other trades of Ms. Beena Jain has not been questioned is immaterial.

67. Noticee no. 5 has also stated that the SCN states that Mrs. Beena Jain has allegedly sold at end price of Rs. 1262.05 which is much less than the price at which the said Fidelity Asian Values Plc. purchased thereby clearly establishing inconsistency in the finding of the Investigating Officer and that the timing of the orders by Ms. Beena Jain were not exactly preceding the order of the big clients and continued after the client had begun placing its order. Notice nos. 5, 8 have stated that the principle of front running is that a trade is executed by a trader with the knowledge of impending large trade likely to occur in the future, however, in the present case, there have been multiple instances where the trades of Noticee 5 have occurred once the big client has already commenced execution of trades. Thus, such trades cannot be classified as front running. In this regard, I note that the order in securities was placed (directly or indirectly) by the front runner during the entire period of placement of impending substantial order of the Big Client and not just before the placement of substantial order, while in possession of the aforesaid non-public information. Since orders above the minimum lot size (particularly for large orders) are often placed in smaller tranches so as to have minimum impact on the price, the purported front runner can gain from placing his order(s) at any time before the last tranche of the Big Client's order. In other words, all the tranches of the order of the first leg of the front runner that have been placed on or before the time of last tranche order placed by Big Client(s), would qualify as front running transactions. Conversely, any tranche of the first leg of the order put by the front-runner subsequent to the last tranche of the order of the Big Client will be excluded from being qualified as front running trade, though the earlier tranches of the front runner will still qualify as front running trades. It may be noted that the second leg of the Front Runner's orders which encashes the "advantage" of the first leg, need not necessarily be placed after the Big Client order since the Exchanges permit "limit orders" i.e., contingent orders like "sell if the price is more than Rs. X" or "buy if the

price is lower than Rs. Y". Such limit orders can be placed in advance / "waiting" for the Big Client order to come and impact the price of the scrip. Accordingly, if the trade execution time of any second leg order of the front-runner is on or after the first tranche of order placed by Fidelity Group entities i.e. Big Clients, all such orders have been taken into consideration for calculation of unlawful gains made by front running the trades of big clients. Moreover, with respect to the price of Ms. Beena Jain's sell order, I note that the Buy-Buy Sell pattern of front running trades of Ms. Beena Jain sought to gain benefit due to the impending increase in the price of the scrip due to the impending big buy order. This does not mean that the sale by Ms. Beena Jain had to be at the same price as that of the purchase by the Big Clients, the impugned trades were meant to take advantage of the price increase which will happen once the Big Clients places the order. As can be seen from the example given above, the buy by the big clients is always in smaller batches and it can be at different prices and the increase in price of the scrip will also be gradual as the market reacts to the big order. The trades by Ms. Beena Jain sought to take benefit of this price rise and earned a square off difference of Rs. 74,927.25.

68. Now coming to who was executing the trades in the account of Ms. Beena Jain, I note that Ms. Beena Jain is bedridden, as submitted by herself and her son, Mr. Prashant Jain. Mr. Prashant Jain has stated that he was handling the trading account of Ms. Beena Jain but the execution of trades/ placing of orders were being done by Mr. Pranay Vaid. In this regard, the SCN further observes that trades from the trading account of Ms. Beena Jain maintained with Arihant Capital Markets Ltd. were executed using internet based trading facility of the trading member and IP analysis observed that there were 18 unique IP Address for the trades carried out from her account. Out of the said 18 unique IP addresses, IP address starting with 182, 14 and 61 are from Hong Kong and IP address starting with 27, 142 and 178 are from Indore, Bengaluru and Singapore, respectively. Further, orders placed from the IP address starting with 27 was on November 14, 2019, Orders from the IP address starting with 142 was on

November 01, 2019 and orders placed from the IP address starting with 178 were on November 4 and 7, 2019. Regarding the IP addresses, Noticee nos. 5 and 8 have submitted that it could be a case wherein VPN was used by the person who was trading and therefore, IP addresses of different locations are appearing for trades on the same date. I also note that Mr. Pranay Vaid has submitted that he was placing orders from the trading account of Ms. Beena Jain, but only through the trading terminal of Arihant Capital Markets Ltd. where he was a dealer and never through internet based trading system. Mr. Pranay Vaid has sought to establish that Mr. Prashant Jain or someone else placed the orders for the impugned trades through internet based trading system in the account of Ms. Beena Jain, and not him.

69. I note that Mr. Pranay Vaid also cross examined Mr. Prashant Jain. Further, it was submitted by both Mr. Prashant Jain and Mr. Pranay Vaid that they had never travelled to Hong Kong. I note that from the cross examination of Mr. Prashant Jain by the AR of Mr. Pranay Vaid that Mr. Prashant Jain had handed over the envelope containing the trading ID and password received from the broker Arihant Capital Markets Ltd. to Mr. Pranay Vaid. I note that this fact in itself implies that there was an intention of Mr. Prashant Jain/ Mr. Pranay Vaid that Mr. Pranay Vaid should also have access to internet based trading in the account of Ms. Beena Jain. If he was only placing orders through the broker's terminal, as claimed by him, there would have been no need to share the internet based trading ID and password with him. Therefore, I cannot accept the submission by Mr. Pranay Vaid to that extent. I note that Ms. Beena Jain was aware that the trading account has been opened with Arihant Capital Markets Ltd. which is clear from the fact that she had completed the KYC formalities. Moreover, she had allowed her son to manage/ operate the said trading account since Mr. Prashant Jain's email ID and phone number had been provided in the KYC. I note that this implies that Mr. Prashant Jain was receiving intimation of the trades through email/SMS during the Investigation Period. Therefore, I find that both Mr. Prashant Jain and Mr. Pranay Vaid were operating the account and executing front running trades in the account of Ms.

Beena Jain and Ms. Beena Jain allowed such trades to be placed in her trading account during the Investigation Period. Regarding the IP addresses, I note that, as discussed above, front running trades were being executed from the trading account of Ms. Beena Jain and the accounts were being operated by Mr. Prashant Jain and Mr. Pranay Vaid based on non-public information of impending big orders of Fidelity Group entities which was in the possession of Mr. Vaibhav Dhadda who was connected to Ms. Beena Jain. In view of the same, I note that several Noticees are involved in the front running activity and these people were located at different places such as Indore and Hong Kong and could also have travelled. This explains the various locations of the IP addresses for the trades of Ms. Beena Jain and also indicates that orders could have been placed by different front runners from the trading account of Ms. Beena Jain. Moreover, I also find that the submission of the Noticees that they are unaware as how trades were being placed from Hong Kong is fallacious since interestingly, they were delivering/ receiving securities and receiving proceeds of these very trades.

70. I note that Noticees have referred to judgements of the Hon'ble Supreme Court and orders of the Hon'ble SAT to substantiate their arguments on the level of evidence required for establishing serious charges of fraud. Judgment of Hon'ble Supreme Court in *Union of India v. Chaturbhai M. Patel & Co.* (AIR 1976 SC 712) and *A.L.N. Narayanan Chettyar v. Official Assignee* (AIR 1941 PC 93) and *SEBI and Ors. v. Kanhaiyalal Baldevbhai Patel and Ors.* (2017) 15 SCC 1) and orders of Hon'ble SAT in *KSL & Industries v. Chairman, SEBI* (Appeal No. 9 of 2003 decided on September 30, 2003) and *Nirmal Bang Securities (P) Ltd. V. SEBI SAT Order dated October 31, 2003* have been relied upon by the Noticees inter alia to contend that fraud is a serious charge and hence, must be supported by higher degree of proof. In this regard, in the present case, I note that the pattern of trading of Ms. Beena Jain shows that there was a deliberate intention to place the trades in such a way as to gain benefit from the impending big orders of some of the Fidelity Group entities. Moreover, from the date of opening of the trading account of Ms. Beena Jain, the fact that there were no trades

by this entity for two years before the impugned trades as well as the fact that the copy of the PAN card of Ms. Beena Jain was in the possession of Mr. Vaibhav Dhadda shows higher degree of probability, of these trades being induced by the nonpublic information regarding the impending orders of the Fidelity Group entities which was in the possession of Mr. Vaibhav Dhadda. Therefore, I find that evidence available on record and inferences drawn from such evidence show higher degree of probabilities and is in accordance with observations made by the Hon'ble Supreme Court and Hon'ble SAT, in the cases, relied upon by the Noticees. Moreover, I also note that the case laws cited by the Noticees with regard to criminal proceedings such as *Nandakishore Prasad v. State of Bihar*, *State of Uttar Pradesh v. Ram Balak and Anr*, will not apply in the present matter since, as observed by the Hon'ble Supreme Court in the Kanaiyalal matter (supra), 'fraud' under securities law as a concept is different than 'fraud' under criminal law and therefore the tests of evidence for the latter will not apply in the cases related to the former.

71. In view of the discussions above, I find that Ms. Beena Jain, Mr. Prashant Jain and Mr. Pranay Vaid participated in the front running of trades of some of the Fidelity Group entities during August 28, 2019 to November 26, 2019 and have violated Sections 12A(a) and 12A(b) of the SEBI Act, 1992 read with Regulation 3(a), 3(b), 3(c), 4(1) and 4(2)(q) of PFUTP Regulations, 2003. From the trades executed from the trading account of Ms. Beena Jain during the Investigation Period, I find that wrongful gains of Rs. 36,17,996.35 have been made by Ms. Beena Jain by front running the trades of Fidelity Group entities in 35 instances. I also note that vide ad interim ex parte impounding order dated June 07, 2021, Ms. Beena Jain, Mr. Prashant Jain and Mr. Pranay Vaid along with Mr. Vaibhav Dhadda was directed to disgorge this amount with interest totaling Rs. 42,77,677.68/- (Rupees Forty Two Lakhs Seventy Seven Thousand Six Hundred and Seventy Seven and Sixty Eight Paise) which they have disgorged.
72. The SCN alleges that front running trades were executed in the trading account of

Pramod Jain (HUF) (Noticee no. 4) from September 12, 2019 to October 31, 2019 and that the said account was being managed by Mr. Siddharth Jain (Noticee no. 10) and the trades were being executed by Mr. Pranay Vaid/ Mr. Siddharth Jain. In response to the same Noticee nos. 4 and 10 have submitted that the account of Pramod Jain(HUF) was opened with Arihant Capital Markets Limited, in February of 2011 and not in 2019 as alleged. As Pranay Vaid (who was working with Arihant Capital Markets Limited) is a friend of Siddharth Jain and has thus, acted as an introducer for opening the trading account of Pramod Jain (HUF) in the year 2011 with Arihant Capital Markets Limited and the trading account of Pramod Jain (HUF) was allowed to be operated by Mr. Pranay Vaid and thus the Noticees are not aware of the trades in the account of Mr. Pramod Jain (HUF). The Noticees have stated that they are in no way connected to any other entity involved in the matter, specifically with Mr. Vaibhav Dhadda. Further, they have stated that no money was paid to either Mr. Pranay Vaid or Mr. Vaibhav Dhadda by the Noticees and there is no substantial or direct or indirect evidence to show that the Noticees had any connection with Vaibhav Dhadda or that the trades in the account of Pramod Jain (HUF) were based on any impending buy/sell orders of any fidelity Group Entities and no entity was induced to trade because of the trades executed in the account of Pramod Jain (HUF) neither has the same been alleged in the order cum show cause notice.

73. The details of the trades executed in the trading account of Pramod Jain (HUF) as stated in the SCN, are as follows:

73.1. In 17 instances, when a bulk buy order was about to come from any of the Fidelity Group entities, buy trades were executed from the trading account of Pramod Jain (HUF), just prior to the buy order of Fidelity Group entity and sell order was placed just before or after the Fidelity Group entity order to square off his position to earn profits. The gist of the said 17 buy instances of the aforesaid trading pattern is given below:

Trade date	Symbol	Big client activity	Big order buy qty	Big order sell qty	FR buy qty	FR sell qty	Matching %	squared off diff (Rs.)
12/09/2019	TECHM	Buy	250000	0	34000	34000	49.19	43050.10
23/09/2019	GODREJCP	Buy	1275844	0	85000	85000	100.00	536932.20
23/09/2019	TATAGLOBAL	Buy	1824396	0	10000	10000	-	31785.05
27/09/2019	GODREJCP	Buy	133180	0	39471	39471	-	109789.50
30/09/2019	JBCHEPHARM	Buy	69157	0	9000	9000	-	39659.20
30/09/2019	SHEMAROO	Buy	3924	0	1470	1470	100.00	10073.75
03/10/2019	JBCHEPHARM	Buy	38658	0	24450	24450	100.00	113884.20
09/10/2019	UBL	Buy	55401	0	23776	23776	90.26	507360.10
09/10/2019	LUPIN	Buy	153000	0	3771	3771	89.47	3818.10
14/10/2019	IRCTC	Buy	350000	0	15000	15000	76.13	192524.00
14/10/2019	ICICIGI	Buy	90317	0	44191	44191	84.30	496726.90
14/10/2019	LUPIN	Buy	186147	0	41229	41229	99.61	170769.95
15/10/2019	LUPIN	Buy	211737	0	29024	29024	100.00	127823.50
17/10/2019	IRCTC	Buy	502344	0	7438	7438	25.24	29752.00
25/10/2019	SUNTV	Buy	107932	0	13730	13730	100.00	13894.65
30/10/2019	EMBASSY	Buy	225400	0	22000	22000	100.00	98994.00
30/10/2019	SUNTV	Buy	32458	0	3897	3897	100.00	3897.00
Total								25,30,734.2

From the above table it is observed that buy and sale quantity of all the trades of Pramod Jain (HUF) were same. He squared off all his position to earn profits.

73.2. In 22 Instances, when a bulk sell order was about to come from one of the Fidelity Group entities, sell trades were executed from the trading account of Pramod Jain (HUF) just prior to the sell order of Fidelity Group entity and buy order was placed just before or after the Fidelity Group entity in order to square off her position to earn profits. The gist of the said 22 sell instances of the aforesaid trading pattern is given below:

Trade date	Symbol	Big client activity	Big order buy qty	Big order sell qty	FR buy qty	FR sell qty	Matching %	squared off diff
30/10/2019	SRTRANSFIN	Sell	0	29371	60000	60000	-	667465.30
12/09/2019	CUMMINSIND	Sell	0	53129	5000	5000	1.38	31561.65
22/10/2019	GODREJCP	Sell	0	41065	5229	5229	20.77	28921.55
31/10/2019	LALPATHLAB	Sell	0	16290	345	345	27.83	6090.00
09/10/2019	CUMMINSIND	Sell	0	43632	36838	36838	47.92	153200.90
31/10/2019	SRTRANSFIN	Sell	0	70629	35000	35000	62.93	380895.70
16/09/2019	CUMMINSIND	Sell	0	62933	15000	15000	65.27	131588.50
03/10/2019	HAVELLS	Sell	0	225942	20000	20000	67.25	66789.70
25/10/2019	LICHSGFIN	Sell	0	328271	60000	60000	74.98	68371.40
27/09/2019	CUMMINSIND	Sell	0	37110	20000	20000	85.62	68838.45
22/10/2019	LICHSGFIN	Sell	0	458311	75000	75000	86.67	143342.40
09/10/2019	EMBASSY	Sell	0	64000	13200	13200	87.88	40506.00

15/10/2019	CONCOR	Sell	0	195376	40000	40000	87.99	214301.60
04/10/2019	CUMMINSIND	Sell	0	75890	16850	16850	98.04	105573.90
18/10/2019	GODREJCP	Sell	0	35910	20000	20000	98.12	102006.05
07/10/2019	CONCOR	Sell	0	424012	30000	30000	98.55	81534.20
17/10/2019	CUMMINSIND	Sell	0	177151	40000	40000	99.27	287256.95
17/10/2019	GODREJCP	Sell	0	144547	30000	30000	99.32	95402.30
25/09/2019	HAVELLS	Sell	0	151802	15000	15000	100.00	49847.35
03/10/2019	AUROPHARMA	Sell	0	240806	60000	60000	100.00	234522.50
14/10/2019	CONCOR	Sell	0	131653	30000	30000	100.00	17963.75
25/10/2019	GODREJCP	Sell	0	197450	52757	52757	100.00	187843.95
Total								31,63,824.1

From the above table it is observed that buy and sale quantity of all the trades of Pramod Jain (HUF) were same. He squared off all his position to earn profits.

74. The SCN gives a few illustrations to explain the pattern of the trades executed from the trading account of Pramod Jain (HUF) around the trading activity of the Fidelity Group which are reproduced below:

74.1. Illustration (Buy-Buy-Sell)

Scrip of ICICI Lombard General Insurance Co Ltd (ICICIGI): On October 14, 2019, Pramod Jain (HUF) bought 44,191 shares between 09:23:03 and 09:38:38 with a start price of Rs. 1213.95 and end price of Rs. 1235 (i.e. at an avg price of Rs. 1228.76). Big Client Fidelity Asian Values Plc bought 90,317 shares in equity segment between 09:26:59 and 09:56:41 with a start price of Rs. 1222.45 and end price of Rs. 1235.65 (i.e. at an avg price of Rs. 1238.99). Pramod Jain (HUF) subsequently sold 44191 shares in Equity segment between 09:53:56 and 09:54:33 with a start price of Rs. 1240 and end price of Rs. 1240 (i.e. at an avg price of Rs. 1240) and earned a square off difference of Rs. 4,96,726.9. Pramod Jain (HUF) has 84.30% of match trade with the Big Client Fidelity Asian Values Plc.

- 74.2. From the above illustration, it is observed that the buy order from the trading account of Pramod Jain (HUF) was placed before the impending buy order of Fidelity Asian Values Plc. Further, as and when the buy order of Fidelity Asian Values Plc. is placed in the system, because of the sudden surge in

demand for a considerable quantity, there is an upward movement in the price of the scrip and correspondingly, sell trade was executed from the trading account of Pramod Jain (HUF) and same has been matched with Fidelity Asian Values Plc.

74.3. Illustration (Sell-Sell-Buy)

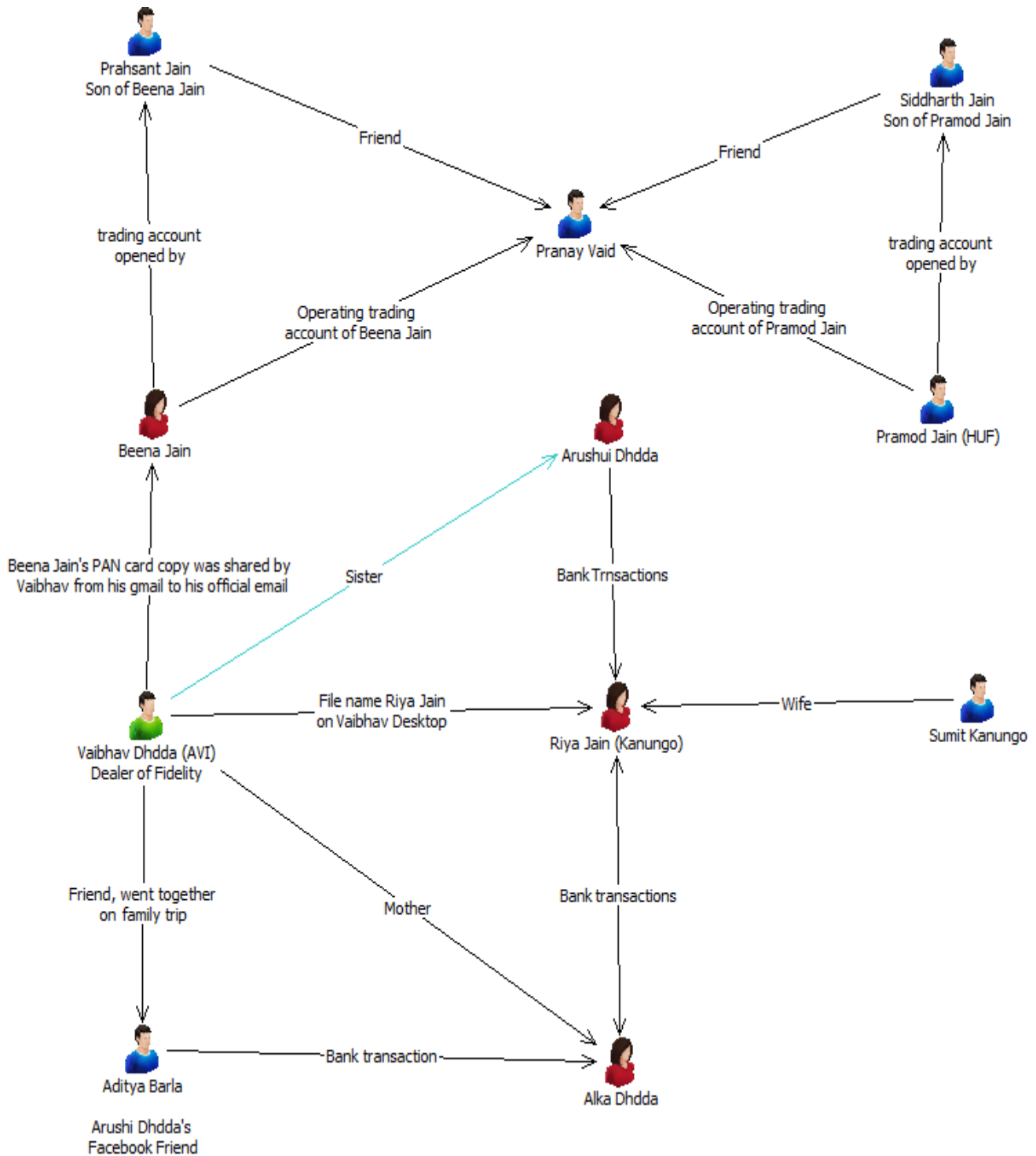
Scrip of Cummins India Ltd (CUMMINSIND): On October 17, 2019, Pramod Jain (HUF) sold 40,000 shares in Equity segment between 10:49:42 and 11:32:44 with a start price of Rs. 573.05 and end price of Rs. 564 (i.e. at an avg price of Rs. 567.18). Big Client Fidelity Asian Values Plc sold 1,77,151 shares in Equity segment between 11:34:17 and 15:16:52 with a start price of Rs. 564.5 and end price of Rs. 570 (i.e. at an avg price of Rs. 562.04). Pramod Jain (HUF) subsequently bought 40,000 shares in equity segment between 11:34:36 and 11:34:41 with a start price of Rs. 560 and end price of Rs. 560 (i.e. at an avg price of Rs. 560) and earned a square off difference of Rs. 2,87,256.95. Pramod Jain (HUF) has 99.27% of match trade with the Big Client Fidelity Asian Values Plc.

74.4. From the above illustration it is noted that the sell orders from the trading account of Pramod Jain (HUF) started before the impending sell order of the Fidelity Group entity. Further, as and when the sell order of Fidelity Group entity is placed in the system, there is a downward movement in the price of the scrip because of the sudden surge in the number of shares available for sale vis-à-vis demand for the same and correspondingly, buy trades are getting executed from the trading account of Pramod Jain (HUF) and same has been matched with Fidelity Group entity.

75. From the above, I find that the pattern of the above-mentioned 39 trades executed from the trading account of Pramod Jain (HUF) between September 12, 2019 and October 31, 2019 reveal that they were executed depending on the information relating to impending buy / sell orders of the Fidelity Group entities. Moreover, such instances of

trades from the trading account of Pramod Jain-(HUF) took place within a short period of time (approximately 1 and half months) and were not isolated instances i.e. 39 transactions of the same nature were executed on different dates, implying that they were not coincidental.

76. I further note that the findings of investigation have brought out the following connection between Noticee nos. 4 and 10 and other front runners which is pictorially depicted as follows:



From the above findings as given in the previous paras and pictorial representation, I note that Mr. Pranay Vaid, who has been found to have been participating in the front

running activity related to impending orders of 21 Fidelity Group entities during the Investigation Period, by executing orders in the trading account of Ms. Beena Jain, is also executing trades in the trading account of Pramod Jain (HUF) as given in para 73. I note that Mr. Pramod Jain, the karta of Pramod Jain-(HUF) has submitted that he has not been operating his account and that his account has been opened by his son Mr. Siddharth Jain. I also note that the e-mail ID given in Pramod Jain (HUF)'s trading account as per the KYC documents is siddharthjain974@gmail.com and the mobile number provided is that of Mr. Siddharth Jain, showing that the communication of trades in that account would go to Mr. Siddharth Jain. From the findings above, I observe that the trading account of Pramod Jain (HUF) was operated and managed by Mr. Siddharth Jain who was also receiving intimation of trades including the trades mentioned in the SCN, reproduced in para 73. I further note that the trading account of Pramod Jain (HUF) was opened with Arihant Capital Market Limited in February 2011 and not in February 2019, as stated in the SCN. However, prior to September 12, 2019, Pramod Jain (HUF) has executed only six trades during the years 2017 and 2018. Hence, Pramod Jain (HUF) was not an active trader in the securities market prior to the investigation period and he suddenly started trading in high volumes in September, 2019 and kept executing repeated trades (39 in one and half months as shown in para 73) of similar pattern, i.e. trades that were dependent on impending orders of Fidelity Group entities. I note that the trading pattern of Pramod Jain (HUF) was same as Ms. Beena Jain during the same period i.e. they were both trading depending on the impending order of Fidelity Group entities and the commonality between these two trading accounts, apart from the trading pattern, was Mr. Pranay Vaid who had been given the responsibility to place trades in these accounts by the respective account holders. In my view, it cannot be a coincidence that two trading accounts wherein orders are supposed to be placed by the same person, shows the same repeated pattern of trades which are being placed depending on the trades of Fidelity Group entities. Moreover, as discussed earlier, Ms. Beena Jain has been found to have connection with Mr. Vaibhav Dhadda who was a trader for 21 Fidelity Group

entities (big client) and he was executing front running trades of the trades of the said Fidelity Group entities. Further, it has been found that front running trades were also being placed in the account of Ms. Beena Jain by Mr. Prashant Jain and Mr. Pranay Vaid. As discussed in the *Kishore R. Ajmera matter* (supra) evidence of violation in the securities market, in the absence of direct evidence, 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. The connection of Mr. Pranay Vaid with the trading accounts of Ms. Beena Jain and Pramod Jain (HUF), the connection of Ms. Beena Jain with Mr. Vaibhav Dhadda and the trading patterns of these trading accounts during the Investigation Period leads to the inference, based on preponderance of probabilities, that the impugned 39 trades in the account of Pramod Jain (HUF) which was being managed by Mr. Siddharth Jain was front running trades which were placed in order to front run the impending buy/ sell order of the 21 Fidelity Group entities, based on the non-public information available with Mr. Vaibhav Dhadda.

77. In addition to the above, the trades from the trading account of Pramod Jain (HUF) maintained with Arihant Capital Markets Ltd. were executed using internet based trading facility of the trading member and there were 26 unique IP address starting with 182 from which the orders in the account of Pramod Jain (HUF) was placed and the said IP address is located in Hong Kong. In their statements both Mr. Siddharth Jain and Mr. Pranay Vaid, who were operating the trading account of Pramod Jain (HUF), have submitted that they have never travelled to Hong Kong and thus, they were not placing the orders in Pramod Jain (HUF)'s trading account. In my view, the trades in the trading account of Pramod Jain (HUF) were being placed by Mr. Vaibhav Dhadda and Mr. Siddharth Jain was aware of the same since he was receiving intimation of the trades and Mr. Pranay Vaid was the common link between Mr. Vaibhav Dhadda and Pramod Jain (HUF). Thus, from the discussions in the previous paras, I find that Pramod Jain (HUF) and Mr. Siddharth Jain and Mr. Pranay Vaid have participated in

the front running activity and have violated Sections 12A(a) and 12A(b) of the SEBI Act, 1992 read with Regulation 3(a), 3(b), 3(c), 4(1) and 4(2)(q) of PFUTP Regulations, 2003. The trading history of Pramod Jain (HUF) shows that he has traded on 23 trading days during Investigation Period (September 12, 2019 to October 31, 2019). From the trades executed in the account of Pramod Jain (HUF) during the Investigation Period, I find that Pramod Jain (HUF) has made wrongful gains Rs. 56,94,558.30 by front running the trades of Fidelity Group entities in 39 trades. I also note that vide ad interim ex parte impounding order dated June 07, 2021, Pramod Jain (HUF), Mr. Siddharth Jain and Mr. Pranay Vaid along with Mr. Vaibhav Dhadda was directed to disgorge this amount with interest totaling Rs. 67,32,866.10/- (Rupees Sixty Seven Lakhs Thirty Two Thousand Eight Hundred and Sixty Six and Ten Paisa) which they have disgorged.

78. I further note that Mr. Pranay Vaid has also made detailed submissions stating that he is not aware about the trades which were executed by Ms. Beena Jain and Pramod Jain (HUF) through the Internet Based Trading system and he has also doubted the veracity of the geolocation of the IP addresses as stated in the findings of Investigation. He has also stated that SCN has relied on the statements of Noticee nos. 8 and 10 partly in order to make allegations against him whereas certain part of those very statements have not been accepted by SEBI. He further refuted and denied that he directly or indirectly was in possession of information that is not publicly available, regarding a substantial impending transactions of Big Clients (Fidelity Group).
79. I find that the detailed discussions in the previous paragraphs reveal the following:
 - a. Mr. Pranay Vaid was given access to the account ID and password for internet based trading for at least Ms. Beena Jain. As discussed above, if there was no intention to place trades through internet based trading then there was no need to grant access to Mr. Pranay Vaid. Therefore, it was intended by the account holder and Mr. Prashant Jain who was managing the said account, that Mr. Pranay Vaid would have access to the internet based trading in the account of

Ms. Beena Jain.

- b. The trading pattern of Pramod Jain (HUF) was same as Ms. Beena Jain during the same period and the commonality between these two trading accounts, apart from the trading pattern was Mr. Pranay Vaid who had been given the responsibility to place trades in these accounts by the respective account holders.
- c. The AR of Mr. Pranay Vaid had also cross examined Mr. Prashant Jain but no new facts have come to light from the said cross examination. In his reply submitted post cross examination of Mr. Prashant Jain, Mr. Pranay Vaid has submitted that the password for accessing internet based trading as given by the stock broker to clients in the 'welcome kit' needs to be first reset and then only trading can be carried out and that Mr. Prashant Jain could have initially reset the said password and only then handed over the envelope to Mr. Vaid. Through this Mr. Vaid has sought to establish that Mr. Prashant Jain had access to the trading account of Ms. Beena Jain. In my view it is not necessary to establish who has reset the password on receiving the welcome kit but the main issue is who was having access to the IP trading account of Ms. Beena Jain and aforesaid facts show that Mr. Pranay Vaid was having access to the same.

In view of the findings and discussions in the previous paras, and in view of the involvement of Mr. Pranay Vaid in the trades by Ms. Beena Jain and Pramod Jain (HUF) and in view of the common trading pattern in both these trading accounts which were front running the trades of the Fidelity Group entities, I find that the preponderance of probabilities indicates that Mr. Pranay Vaid was also involved in the front running activity of the Fidelity Group entities during the Investigation Period, in violation of Sections 12A(a) and 12A(b) of the SEBI Act, 1992 read with Regulation 3(a), 3(b), 3(c), 4(1) and 4(2)(q) of PFUTP Regulations, 2003, as held above.

- 80. In view of the aforesaid findings and violations committed by Noticees as given in paras above, I find that directions under Sections 11(1), 11(4), and 11B (1) of the SEBI Act, 1992, needs to be issued and penalties under Section 15HA of SEBI Act, 1992 needs

to be imposed, as detailed below.

81. I also note from the SCN that the front runners have made the following unlawful gains from their front running activity during the Investigation Period:

Noticee no.	Front runner entities	Total Unlawful gains (Rs.)
6.	Aditya Barla	27,81,831.45
7.	Sumit Kanungo	12,02,655.85
5.	Beena Jain	36,17,996.35
4.	Pramod Jain (HUF)	56,94,558.30
2.	Alka Dhadda	2,21,60,465.75
3.	Arushi Dhadda	74,598.40
		3,55,32,106.10

I find that since the front runners made such unlawful gains through their front running activities which were violative of securities laws as discussed in the previous paras of this Order, these front runners are liable to disgorge their unlawful gains. I note that although Ms. Alka Dhadda, Ms. Arushi Dhadda, Ms. Beena Jain and Pramod Jain (HUF) may not have been placing the orders for the front running trades in their trading accounts they also participated in the front running activity, by allowing their trading accounts to be used for front running as discussed in the previous paras of this Order and proceeds of the unlawful trades were received in their bank accounts.

82. I further note that all the Noticees were front running the trades of the 21 Fidelity Group entities, based on non- public information of such impending trades available with Mr. Vaibhav Dhadda who was a trader for the Fidelity Group entities. I also note that Mr. Vaibhav Dhadda was also placing the orders in the trading accounts of Ms. Alka Dhadda, Ms. Arushi Dhadda and Mr. Pramod Jain (HUF) and some trades in the account of Mr. Sumit Kanungo and Ms. Beena Jain. Further, the profits of the trades from the trading account of Mr. Sumit Kanungo was shared with Mr. Vaibhav Dhadda as discussed in para 45 and 45. Further, there were fund transactions between Mr.

Vaibhav Dhadda and Mr. Aditya Barla. In view of this, I find that Mr. Vaibhav Dhadda is a central figure in the front running activity by having access to information about the impending trades of the Fidelity Group entities by virtue of his position as a trader with the Fidelity Group entities and by being connected to the front running trading accounts mentioned in the table above and thus liable to disgorge the wrongful gains made by the front runners jointly and severally along with the front runners. I also note that the trading account of Ms. Beena Jain was operated by Mr. Prashant Jain and Mr. Pranay Vaid who had placed orders from the said trading account. Further, the trading account of Pramod Jain (HUF) was opened and operated by Mr. Siddharth Jain and Mr. Pranay Vaid and the trading account of Mr. Sumit Kanungo was operated by him and his wife Ms. Riya Jain. I note that Interim order directed the impounding of the unlawful gains made by these Noticees, along with details of interest, as calculated in the said order, at para 170 of the said order in various combination of joint and several liability as under:

	Entities liable	Total Unlawful gains (Rs.)	Interest (Rs.) ¶	Amount to be Disgorged (Rs.)	Status
1.	Aditya Barla and Vaibhav Dhadda	27,81,831.45	5,07,220.60	32,89,052.05	To be paid
2.	Sumit Kanungo, Riya Jain (Kanungo), Alka Dhadda, Arushi Dhadda and Vaibhav Dhadda	12,02,655.85	2,19,284.25	14,21,940.10	To be paid

3.	Beena Jain, Prashant Jain, Pranay Vaid, and Vaibhav Dhadda	36,17,996.35	6,59,681.33	42,77,677.68	Already Paid
4.	Pramod Kumar Jain (HUF), Siddharth Jain, Pranay Vaid and Vaibhav Dhadda	56,94,558.30	10,38,307.80	67,32,866.10	Already Paid
5.	Alka Dhadda and Vaibhav Dhadda	2, 21, 60, 465.75 (Amount already impounded is 1,85, 75,843. So, balance amount is 35, 84, 622.75)*	Interest on the Balance Amount = 6,53, 596.21 Interest on the Impounded Amount = 6,29,034.02	48,67,252.98	To be paid
6.	Arushi Dhadda and Vaibhav Dhadda	74,598.40 (Amount already impounded is 28,500. So, balance amount is 46,098)*	Interest on the Balance Amount = 8,405.202 Interest on the Impounded Amount = 965.09	55,468.29	To be paid
		3,55,32,106		2,06,44,257	

* Amount of Rs. 1,85,75,843 (One crore eighty five lakh seventy five thousand eight hundred and forty three rupees) has already been impounded with respect to the trade effected from the account of Alka Dhadda, and Rs. 28,500 (Twenty eight thousand and five hundred rupees) has already been impounded with respect to the trade effected from the account of Alka Dhadda.

¶ Rate of interest for the calculation of interest is 12 % p.a., simple interest.

@ Period of Interest for the alleged gains made is November 30, 2019 (the last date of the investigation period) to June 07, 2021. For the amount already impounded i.e., 1,86,04,343.00 (One crore eighty six lakh four thousand three hundred and forty three rupees), the period of interest has been taken to be August 23, 2019 (the last date of the examination period) till the date of the interim order i.e., December 04, 2019.

I also note that none of the Noticees have challenged the same by filing any appeals

before the Hon'ble SAT. I further note that the amounts liable to be disgorged by Noticee nos. 4, 9 and 10 and Noticee nos. 5, 8 and 9 jointly and severally with Noticee no.1 have been impounded in compliance with ad interim ex parte impounding order cum SCN dated June 07, 2021 and the said amounts are already in the escrow account as directed in the said order. Thus, the money impounded by the ex parte interim impounding order dated June 07, 2021 which has been paid/ realised has to be transferred to Investor Protection and Education Fund (IPEF) referred to in Section 11(5) of the SEBI Act, 1992.

83. In this regard, some of the Noticees have submitted that the losses made by them through the front running trades should be allowed to be offset from the amount which they are liable to disgorge. In this regard, I note that Explanation to Section 11B, as inserted vide Securities Laws (Amendment) Act, 2014, clearly provides that:

“Explanation. - For the removal of doubts, it is hereby declared that the power to issue directions under this section shall include and always be deemed to have been included the power to direct any person, who made profit or averted loss by indulging in any transaction or activity in contravention of the provisions of this Act or regulations made thereunder, to disgorge an amount equivalent to the wrongful gain made or loss averted by such contravention.”

A perusal of the aforesaid explanation reveals that the factors to be taken into account while arriving at a disgorgement amount are: profit made or losses averted. The explanation does not allow setting off of any losses suffered against such profit made or loss averted. Therefore, in my view the submissions of the Noticees in this regard are not tenable. Even otherwise also, the very transactions executed by the Noticees were fraudulent and both profits and losses, if any, arising out of the same are the result of the unlawful activity of the Noticee(s). In the event that the Noticees are allowed to offset the losses from their liability to disgorge they will in effect be given a benefit for something that resulted out of an unlawful activity, which cannot be allowed. I find that allowing to set-off the losses suffered while carrying out unlawful trades from the disgorgement amount, would amount to allowing insurance/ hedging for losses to the front runner.

84. The SCN in the matter, also calls upon the Noticee No. 1 to 11 to explain as to why appropriate penalty be not imposed upon it under Section 15HA of SEBI Act, 1992 for the violations alleged in the SCN. Extract of these penalty provisions, as existing at the relevant time is as under:

Extract of SEBI Act, 1992:

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

I note that Section 15HA of the SEBI Act, 1992 provides for imposition of penalty in case of fraudulent and unfair trade practices committed by any person. As in the present case, it has been found that the Noticees have violated Sections 12A(a) and 12A(b) of the SEBI Act, 1992 read with Regulation 3(a), 3(b), 3(c), 4(1) and 4(2)(q) of PFUTP Regulations, 2003 therefore, provisions of Section 15HA is attracted *qua* the Noticees.

85. For imposition of penalty under the provisions of the SEBI Act, 1992, Section 15J of the SEBI Act, 1992 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.”

86. It is observed that the default by the Noticees is not of a repetitive nature as they have not been penalized for violation of securities laws earlier and the unlawful gains made by the Noticees have been impounded/ are being directed to be disgorged and the

finding of investigation do not identify any investor or group of investors who have suffered any loss from such default. The Noticees have also claimed that they have also suffered due to loss of employment and also due to the interim debarment which is still operating against some Noticees. I have taken into consideration all the factors and the findings while issuing directions and imposing monetary penalties in para 87 below, including period of debarment already undergone by the Noticees and also disgorgement amount paid by some of the Noticees.

Directions, disgorgement and monetary penalties:

87. In view of the aforesaid findings and having regard to the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4), 11(4A), 11A and 11B(1), 11B(2) of SEBI Act, 1992 read with Section 19 of SEBI Act, 1992, Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 direct as under:

- (i) I note that the following amounts were directed to be impounded as per the ad interim ex parte impounding order cum SCN dated June 07, 2021, along with details of interest, as calculated in the said order:

	Entities liable	Total Unlawful gains (Rs.)	Interest (Rs.) ¶	Amount to be Disgorged (Rs.)	Status
1.	Aditya Barla and Vaibhav Dhadda	27,81,831.45	5,07,220.60	32,89,052.05	To be paid

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2.	Sumit Kanungo, Riya Jain (Kanungo), Alka Dhadda, Arushi Dhadda and Vaibhav Dhadda	12,02,655.85	2,19,284.25	14,21,940.10	To be paid
3.	Beena Jain, Prashant Jain, Pranay Vaid, and Vaibhav Dhadda	36,17,996.35	6,59,681.33	42,77,677.68	Already Paid
4.	Pramod Kumar Jain (HUF), Siddharth Jain, Pranay Vaid and Vaibhav Dhadda	56,94,558.30	10,38,307.80	67,32,866.10	Already Paid
5.	Alka Dhadda and Vaibhav Dhadda	2, 21, 60, 465.75 (Amount already impounded is 1,85, 75,843. So, balance amount is 35, 84, 622.75)*	Interest on the Balance Amount = 6,53, 596.21 Interest on the Impounded Amount = 6,29,034.02	48,67,252.98	To be paid
6.	Arushi Dhadda and Vaibhav Dhadda	74,598.40 (Amount already impounded is 28,500. So, balance amount is 46,098)*	Interest on the Balance Amount = 8,405.202 Interest on the Impounded Amount = 965.09	55,468.29	To be paid
		3,55,32,106		2,06,44,257	

* Amount of Rs. 1,85,75,843 (One crore eighty five lakh seventy five thousand eight hundred and forty three rupees) has already been impounded with respect to the trade effected from the account of Alka Dhadda, and Rs. 28,500 (Twenty eight thousand and five hundred rupees) has already been impounded with respect to the trade effected from the account of Alka Dhadda.

¶ Rate of interest for the calculation of interest is 12 % p.a., simple interest.

@ Period of Interest for the alleged gains made is November 30, 2019 (the last date of the investigation period) to June 07, 2021. For the amount already impounded i.e., 1,86,04,343.00 (One crore eighty six lakh four thousand three hundred and forty three rupees), the period of interest has been taken to be August 23, 2019 (the last date of the examination period) till the date of the interim order i.e., December 04, 2019.

- (ii) Noticee nos. 1, 2 ,3, 6, 7, and 11 are directed to disgorge the respective amounts detailed in table above, at Sr. No. 1, 2, 5 and 6, along with an interest at the rate of 12% per annum from the dates indicated in the said table, within a period of 45 days from the date of this Order. This direction is without prejudice to any other action including action for recovery of such amounts from the Noticees which may be initiated by SEBI. The said amount shall be remitted by Noticees to Investor Protection and Education Fund (IPEF) referred to in Section 11(5) of the SEBI Act, 1992. An intimation regarding the payment of said disgorgement amount directed to be paid herein, shall be sent to "The Division Chief, IVD-ID3, Securities and Exchange Board of India, SEBI Bhavan II, Plot no. C-7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai -400 051".
- (iii) The money impounded by the ex parte interim impounding order dated June 07, 2021 which has been paid/ realised shall be treated as disgorgement amount for Noticee nos. 4,5,8, 9 and 10 and shall stand transferred to Investor Protection and Education Fund (IPEF) referred to in Section 11(5) of the SEBI Act, 1992.
- (iv) The Noticee Nos. 1 to 11, are hereby imposed with, the monetary penalties under Section 15 HA of the SEBI Act, 1992, as specified hereunder:

Noticee no.	Name of the Entity	PAN	Penalty
1.	Vaibhav Dhadda (alias Avi Dhadda)	DFAPD6039C	1,77,00,000/-
2.	Alka Dhadda	BBIPD5396J	1,10,00,000/-
3.	Arushi Dhadda	DFAPD6005J	5,00,000/-
4.	Pramod Jain (HUF)	AALHP5134K	28,00,000/-
5.	Beena Jain	AOMPJ7655J	18,00,000/-
6.	Aditya Barla	ANJPB2487N	14,00,000/-
7.	Sumit Kanungo	AUCPK0661M	6,00,000/-
8.	Prashant Jain	AOMPJ7656M	18,00,000/-
9.	Pranay Vaid	ACZPV5511A	18,40,000/-
10.	Siddharth Jain	AEWPJ4559H	28,00,000/-
11.	Riya Jain (Kanungo)	AHKPJ1006A	6,00,000/-

- (v) The Noticees shall remit / pay the said amount of penalties within 45 days from the date of receipt of this order. The Noticees shall remit / pay the said amount of penalties through either 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 3, Securities and Exchange Board of India, SEBI Bhavan II, Plot no. C-7, "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.	
Payment is made for: (like penalties/ disgorgement/ recovery/ settlement amount/ legal charges along with order details)	

- (vi) This direction is without prejudice to any other action including action for recovery of such amounts from the Noticees which may be initiated by SEBI under Section 28A of the SEBI Act, 1992.
- (vii) The Noticee no.1, Mr. Vaibhav Dhadda is restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market as a director or a KMP or trader in any intermediary or Market Infrastructure Institution, as may be applicable, for a period of three (3) years, from the date of coming into force of this order;
- (viii) The Noticee no. 2 (Ms. Alka Dhadda), Noticee no. 3 (Ms. Arushi Dhadda), Noticee no. 4 (Pramod Jain- HUF), Noticee no. 5 (Ms. Beena Jain), Noticee no. 6 (Mr. Aditya Barla), Noticee no. 7 (Mr. Sumit Kanungo), Noticee no. 8 (Mr. Prashant Jain), Noticee no. 9 (Mr. Pranay Vaid), Noticee no. 10 (Mr. Siddharth Jain) and Noticee no.11, (Ms. Riya Jain Kanungo), are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, , for a period of two (2) years, from the date of coming into force of this order;

- (ix) In case the Noticees fail to comply with the direction of disgorgement as issued in sub para (ii) above, they shall be restrained from accessing the securities market and prohibited from buying, selling or otherwise dealing in the securities market, till the actual payment of disgorgement amount or till the completion of the debarment directed at sub-para (i) above, whichever is later.
88. The obligation of the Noticees, restrained/ prohibited by paragraphs 87(i) and (ii) of this Order, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange(s), as existing on the date of this Order, are allowed to be discharged irrespective of the restraint/prohibition imposed by this Order. Further, all open positions, if any, of the Noticees, restrained/prohibited in the present Order, in the F & O segment of the recognised stock exchange(s), are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.
89. This Order comes into force with immediate effect.
90. This Order shall be served on all the Noticees, Recognized Stock Exchanges, Depositories and Registrar and Share Transfer Agents of mutual funds to ensure necessary compliance.

Date: June 03, 2022

Place: Mumbai

ANANTA BARUA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA