

WTM/AB/IVD/ID19/16928/2022-23

**SECURITIES AND EXCHANGE BOARD OF INDIA
FINAL ORDER**

Under Sections 11(1), 11(4), 11(4A), 11B (1) and 11B (2) of the Securities and Exchange Board of India Act, 1992 read with Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

In respect of:

Noticee No.	Name of the Noticees	PAN
1.	Mr. Bhola Nath Dhall	AGUPD5451E
2.	Mr. Abhishek Dhall	BLUPD4718A

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

In the matter of front running activities of Bhola Nath Dhall, former Vice President - Risk of Religare Finvest Limited, through the account of Abhishek Dhall in various scrips.

1. The present proceedings have emanated from a show cause notice dated March 18, 2021 (hereinafter referred to as “**SCN**”), issued by Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”), against the Noticees, alleging violation of Section 12A (a), (b), (c) and (e) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act, 1992**”) and Regulations 3(a), 3(b), 3(c), 3(d) and 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations, 2003**”) by the Noticees. The SCN called upon the Noticees to show cause as to why suitable directions under Sections 11 (1), 11(4), 11(4A), 11B(1) and 11B(2) including directions for disgorgement of unlawful gains

and holding of an inquiry under Rule 4 of SEBI (Procedure for Holding Inquiry and imposing penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as “**the Rules**”) read with Section 15I(1) & (2) of SEBI Act, 1992 and the subsequent imposition of penalty under Section 15HA of SEBI Act, 1992 should not be issued against them. The copies of documents relied upon in the SCN were also provided to the Noticees, as detailed below:

Annexure No.	Details
Annexure A	Email of the RFL dated February 18,2021 - hard copy
Annexure B	KYC of RFL, submitted to Religare Broking Limited in the CD titled “Annexures”
Annexure C	UCC data and KYC records in the CD titled “Annexures”
Annexure D	Authorization letter given by Abhishek Dhall to Eureka Shares and Stock Brokers Ltd - hard copy
Annexure E	Trade logs in the CD titled “Annexures”
Annexure F	Sheet showing Wrongful gain/loss averted - in the CD titled “Annexures” as well as hard copy

2. As can be noted from the SCN, the aforesaid SCN came to be issued against the Noticees in view of the fact that SEBI received an information from NSE of suspected front running trades by Noticee no. 2, in pursuance of which SEBI conducted an investigation into trading activities of Noticee no. 2 in the scrips of Core Education & Tech Limited, Everonn Education Limited, Maharashtra Seamless Limited and Reliance Naval and Engineering Limited (formerly known as Reliance Defence and Engineering Limited/Pipavav Defence and Offshore Engineering Company Limited) for the period May 04, 2015 to April 29, 2016 (hereinafter referred to as “**Investigation Period**”) to ascertain whether or not the Noticee no. 2 had front run on the trades of Religare Finvest Limited (hereinafter referred to as “**RFL**”), an NBFC providing SME lending, in contravention of the provisions of SEBI Act, 1992 read with PFUTP Regulations, 2003. The brief facts, as narrated in the SCN, are as under:

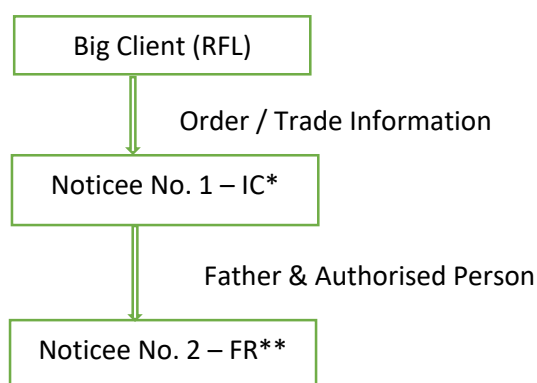
- (i) RFL is a non-deposit taking systematically important NBFC, registered with RBI, providing SME lending. A part of its business is lending against marketable securities. As a part of RFL businesses, under the Loan Against Shares (hereinafter referred to as “**LAS**”) product, all the customers availing

loan against shares facility, have to maintain margin as per the agreed terms in the loan agreement. In case of non-regularization of margin in LAS product, the risk team has to initiate liquidation of available collateral shares of borrower/customer for the recovery of margin shortfall or outstanding loan. After identification of the shortfall amount, in the customer's loan account, by the risk team, the team was authorized for squaring off the collateral shares or liquidation of shares to the extent of maintaining the required margin of the customer.

- (ii) During the investigation period, it was observed that Shri Bhola Nath Dhall (Noticee no. 1), was an employee of RFL and held the designation of Vice President-Risk. His responsibilities included service and grievance management of HNI and retail clients, NPA monitoring and recoveries for capital marking funding, supervision and monitoring of margin, risk reporting and liaising with senior leadership team, adherence to all the policies and ensure process compliance & management and automation of processes/ systems.
- (iii) Noticee No.1, being the Vice President-Risk of RFL and having the portfolio of supervising and monitoring of margin, was authorized to give instructions, for sale of shares, to the dealer of the RFL i.e. Shri Nirmal Sharma, Manager (Risk), except for small retail selling orders, on behalf of RFL. This was the LAS product of RFL under which RFL used the online trading facility of the brokers, only for liquidating the shares of its borrowers to maintain margin requirements. Further, as submitted by RFL, vide its email dated February 18, 2021, Noticee No. 1 was determining the selling prices of the shares to be liquidated for maintaining the margin requirements. Thus, it is alleged that Noticee No. 1 was privy to the trades being placed by RFL, in its organizational capacity, in cases of non-regularization of margin in LAS product offered by RFL. In other words, it is alleged that Noticee No. 1 was privy to the information with respect to the impending orders of the RFL, the impending orders being in the securities, in which the RFL was going to initiate liquidation of collateral shares of its borrowers/ customers for recovery of margin shortfall. Further,

the decision of RFL to liquidate the shares of its borrowers/customers, is its confidential information. To put it differently, the said information is non-public information. Therefore, it is also alleged that Noticee No.1 was in possession of information of the impending orders of RFL, which was not available in the public domain.

- (iv) Accordingly, under the instructions of Noticee No. 1, the dealer of RFL i.e. Shri Nirmal Sharma, Manager (Risk) used to place sell orders through online trading platform of the broker (SMC Global Securities Ltd. and Arch Finance Ltd). From the KYC records of RFL, dated August 21, 2014, as provided to Religare Broking Limited, it is noted that the first authorized signatory of RFL, on its KYC is Noticee No.1.
- (v) It was observed during the investigation period that trades were executed from the trading account of Shri Abhishek Dhall (Noticee no. 2) maintained with Eureka Shares and Stock Brokers Limited. From the UCC data and KYC records, it is observed that Noticee no. 2 is the son of Noticee no. 1. Further, from the authorisation letter dated October 11, 2013 given by Noticee No. 2 to Eureka Shares and Stock Brokers Limited, it is observed that he has authorized Noticee No.1, to place orders, from his trading account.



** IC- Information Carrier - Typically, IC are those entities who have access to or have come to be in possession of the non-public information of the RFL in some form or the other, in terms of content.*

***FR- Front Runner – FR are those entities who have executed front running trades.*

(vi) On analysis of the trade logs (provided along with the SCN), it is alleged that the trades executed from the trading account of Noticee No. 2 had front run the trades of RFL. The alleged front run trades have followed a Sell-Sell-Buy pattern and have been executed in the following scrips during the investigation period:

- a) Core Education & Tech Limited
- b) Everonn Education Limited
- c) Maharashtra Seamless Limited
- d) Reliance Naval and Engineering Limited (formerly known as Reliance Defence and Engineering Limited/Pipavav Defence and Offshore Engineering Company Limited)

(vii) A summary of the alleged front run trades in terms of timing of order placement vis-à-vis RFL's order placement, from the trading account of Noticee No. 2, is as under:

Table 1

Date	Scrip Name	Noticee No. 2		RFL		Noticee No. 2			
		Sell Start	Sell End	Sell Start	Sell End	Buy Trade Time Start	Buy Trade Time End	Matched quantity	Match %
June 24, 2015 (NSE)	Core Education & Tech Ltd.	11:12:16	13:22:41	11:37:19	14:53:30	11:49:22	11:50:01	98075	89.15%
April 22, 2016 (NSE)	Everonn Education Ltd.	13:57:02	14:13:19	10:16:26	14:16:33	14:16:29	14:16:33	40000	100%
April 22, 2016 (BSE)	Everonn Education Ltd.	13:58:30	14:12:46	10:16:43	14:17:03	14:14:46	14:17:03	1357	59%
March 31, 2016 (NSE)	Everonn Education Ltd.	13:07:45	13:07:45	14:08:56	14:44:11	14:09:34	14:09:48	3749	100%
Jan 04, 2016 (NSE)	Everonn Education Ltd.	12:38:41	13:06:46	15:11:09	15:25:12	15:11:09	15:11:45	6836	100%
Dec 04, 2016 (NSE)	Everonn Education Ltd.	14:39:52	15:02:56	15:07:08	15:13:49	15:13:25	15:13:49	16500	100%
Aug 25, 2015 (NSE)	Maharashtra Seamless Ltd.	10:41:39	10:57:26	10:58:59	11:13:21	11:04:39	11:13:21	54494	99.08%

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March 29, 2016 (NSE)	Reliance Naval and Engineering Ltd.	11:58:22	14:08:17	12:05:57	15:10:19	12:39:29	14:14:16	167122	93.36%
March 29, 2016 (BSE)	Reliance Naval and Engineering Ltd.	12:00:09	12:40:34	12:14:42	14:10:01	12:39:50	12:40:22	44013	97.8%
March 30, 2016 (NSE)	Reliance Naval and Engineering Ltd.	09:04:24	11:09:33	09:22:58	15:19:18	11:48:57	11:49:24	141011	92.35%
March 30, 2016 (BSE)	Reliance Naval and Engineering Ltd.	10:54:55	11:08:42	09:39:59	15:19:08	11:49:35	11:49:39	28034	100%
March 31, 2016 (BSE)	Reliance Naval and Engineering Ltd.	12:19:02	13:11:26	13:39:54	15:21:11	13:26:14	13:26:14	0	0
April 13, 2016 (NSE)	Reliance Naval and Engineering Ltd.	09:28:47	11:03:04	09:40:50	14:51:03	11:01:43	15:11:19	83500	88.82%
April 13, 2016 (BSE)	Reliance Naval and Engineering Ltd.	09:35:37	09:40:32	11:00:11	14:06:15	11:02:56	11:03:07	17000	100%
April 18, 2016 (NSE)	Reliance Naval and Engineering Ltd.	09:43:53	14:28:21	09:47:44	15:26:13	09:56:27	13:54:12	148969	94.88%
April 18, 2016 (BSE)	Reliance Naval and Engineering Ltd.	09:42:13	13:45:19	09:48:14	15:25:06	09:57:09	13:55:07	61798	100%
April 20, 2016 (NSE)	Reliance Naval and Engineering Ltd.	13:45:20	14:27:41	14:15:19	15:29:22	10:04:40	10:20:59	0	0

(viii) A summary of the alleged front run trades in terms of quantity bought and sold and the alleged wrongful gain / loss averted made from the trading account of Noticee No. 2 is as under:

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Table 2

S.N.	Exchange	Type	Date	Scrip Name	FR Sell Qty	RFL Sell Qty	Buy Qty (Square d-off)	Matched quantity	Matching %	Wrongful gain / Loss averted in ₹
1.	NSE	SSB	June 24, 2015	Core Education& Tech Ltd.	110000	351139	110000	98075	89.15	48123.40
2.	NSE	SSB	April 22, 2016	Everonn Education Ltd.	38165	153818	40000	40000	100	36248.05*
3.	BSE	SSB	April 22, 2016	Everonn Education Ltd.	2263	26185	2300	1357	59%	1911.65*
4.	NSE	SSB	March 31, 2016	Everonn Education Ltd.	3749	17704	3749	3749	100	1694.50
5.	NSE	SSB	January 04, 2016	Everonn Education Ltd.	6836	30000	6836	6836	100	1768.10
6.	NSE	SSB	December 04, 2016	Everonn Education Ltd.	16500	34011	16500	16500	100	6238
7.	NSE	SSB	August 25, 2015	Maharashtra Seamless Ltd.	55000	133319	55000	54494	99.08	479380.10
8.	NSE	SSB	March 29, 2016	Reliance Naval and Engineering Ltd.	157281	721343	179000	167122	93.36	118371.26*
9.	BSE	SSB	March 29, 2016	Reliance Naval and Engineering Ltd.	45000	155684	45000	44013	97.80	27361.30
10.	NSE	SSB	March 30, 2016	Reliance Naval and Engineering Ltd.	152686	525000	152686	141011	92.35	173822.95
11.	BSE	SSB	March 30, 2016	Reliance Naval and Engineering Ltd.	28034	175000	28034	28034	100	30218.15
12.	BSE	SSB	March 31, 2016	Reliance Naval and Engineering Ltd.	21721	32614	2	0	0	3692.23
13.	NSE	SSB	April 13, 2016	Reliance Naval and Engineering Ltd.	84000	294710	94000	83500	88.82	72036*
14.	BSE	SSB	April 13, 2016	Reliance Naval and Engineering Ltd.	17000	58111	17000	17000	100	11400
15.	NSE	SSB	April 18, 2016	Reliance Naval and Engineering Ltd.	167000	860000	157000	148969	94.88	135280
16.	BSE	SSB	April 18, 2016	Reliance Naval and Engineering Ltd.	61798	1700000	61798	61798	100	85475.2
17.	NSE	-	April 20, 2016	Reliance Naval and Engineering Ltd.	23365	198668	23365	0	0	700.95**
Total										12,33,721.84

* Wrongful gain figure is inclusive of wrongful gain and / or loss made by Noticee No. 2's dealing in securities while in possession of non-public information.

**Loss averted- (Weighted average sell price of RFL-Weighted average sell price of front runner)* total sell/buy quantity.

- (ix) The aforesaid computation of alleged wrongful gain / loss averted is based on the following formulas:
- a. Where the shares sold in the first leg is same as bought in the second leg: - Wrongful gain from the alleged front running trades = $Q \times (\text{Sell-Buy})$ [(Lower of Buy and sell quantity) = Q; Selling Price/unit = S, Buying Price/unit = B].
 - b. Where the shares sold in the first leg is more as bought in the second leg (Notional Wrongful Gain for excess shares sold): - (Excess of shares sold over buy)*weighted average sell price – (Excess of shares sold over buy)*closing price of the stock on the trade date
 - c. Where the shares sold in the first leg is less than the shares bought in the second leg: - Notional Wrongful Gain from dealing in securities for excess shares bought while in possession of Non-Public Information = (No. of shares bought while in possession of NPI*closing price on day of NPI) less (No. of shares bought while in possession of NPI*weighted average purchase price).
- (x) Based on the aforesaid tables, the following was alleged with respect to the trading activity carried out in the trading account of Noticee No. 2, which classifies it as alleged front running trades:
- a. The registered owner / individual, having access to the trading account, had the undue advantage of being privy to the non-public information of the RFL.
 - b. The trading pattern shows that the tranches, of the order of the first leg of intra-day trade executed from the trading account of Noticee No. 2, have been placed/executed just prior to the impending order of RFL or before the last tranche of the order placed by the RFL and the trades for the second leg of the intra-day trade (squaring off of trades) gets executed at the same time or immediately after the initial tranche of sell order of RFL (except for the trade executed on NSE on April 20, 2016 in the scrip of Reliance Naval and Engineering Ltd.). In other words, the

trades executed from the trading account of Noticee No. 2, have allegedly followed Sell-Sell-Buy pattern, around the orders of the RFL.

- c. The alleged front run trades have resulted in wrongful gain / loss averted of Rs 12,33,721/- in the equity segment of the market.

(xi) In light of the aforesaid observations, the particulars of the alleged scheme/modus operandi employed by the Noticees to 'front run' the order of the RFL is as follows: Once the Noticee No. 1 is privy to the non-public information of the impending orders of the RFL, he, in order to take unfair advantage of the advance information of the impending sell orders of RFL, would cause the orders to be placed from the trading account of Noticee No. 2. The orders are placed in the Sell-Sell-Buy pattern, around the orders of RFL, to take advantage of the price movement post the sell orders of RFL to generate substantial wrongful gains. Subsequently, electronic contract note is sent to the registered email id of Noticee No. 2.

(xii) In view of the above, the SCN alleges that the trades executed from the trading account of Noticee No. 2 had 'front run' the orders of RFL.

3. The SCN was delivered to both the Noticees by speed post. The Noticees vide their respective emails dated April 07, 2021 informed that they are filing applications for settlement before SEBI. I note that the application for settlement filed by the Noticees was rejected and informed to the Noticees vide letters dated August 23, 2021. The matter was first placed before another Whole Time Member, however, in view of the term of the Whole Time Member was coming to an end, the matter was placed before the undersigned on July 26, 2021 for granting date for personal hearing in the matter and hearing was scheduled on December 08, 2021. The Noticees vide email dated November 19, 2021 sought inspection of documents relied upon in the SCN. Accordingly, inspection of documents was granted to the Noticees on November 29, 2021, wherein, the relevant documents sought by the Noticees were provided to them for inspection. Thereafter, the Noticees filed their respective replies dated December 07, 2021. On December 08, 2021, an advocate representing both the Noticees appeared via video

conferencing and made submissions. Thereafter, the Noticees filed their respective written submissions vide letters dated December 13, 2021.

4. The Noticees vide their respective replies dated December 07, 2021 and respective written submissions dated December 13, 2021, have *inter alia* made the following similar submissions:

- (i) *The Noticee no. 1 is a reputed professional and Noticee no. 2 is a young reputed professional and no adverse findings have ever been made against them in the past, in relation to dealings in the securities market. The Noticee no. 1 is a retired individual, with a clean track record, and has always strived to abide by the letter and spirit of the law. The Noticee no. 1 submits that all the transactions were undertaken by Noticee no. 1 on behalf of his son, Noticee no. 2. The Noticee no. 2 did not even have knowledge of the alleged transactions and did not participate in them in any manner whatsoever. The Noticee no. 1 submits that all the transactions were undertaken by Noticee no. 1 on behalf of the Noticee no. 2.*
- (ii) *There are no findings against the Noticee no. 2 in the investigation report. The investigation report only states that the Noticee no. 2 had given authority to the Noticee, to execute trades on his behalf. In this regard, the Noticee no. 1 submits that all findings in the SCN, against the Noticee no. 2 should be dropped, as it is established that Noticee no. 1 executed all trades on behalf of the Noticee no. 2. The Noticee no. 1 submits that Noticee no. 2 had no knowledge of the trades being executed in his account, and all transactions were controlled and executed by Noticee no. 1.*
- (iii) *The SCN alleges a total gain of Rs. 12,33,721.84. Without prejudice, the Noticees submit that the gain is not commensurate with the allegations levied, and the harsh provisions attracted in the SCN. The mere fact that a miniscule percentage of his trading coincides with the trades of RFL, and the fact that the total gain made therefrom is Rs. 12 lakhs, points to the fact that the Noticees never intended to engage in any fraudulent practices and that the alleged transactions were mere coincidences.*
- (iv) *The SCN has failed to take into consideration that Noticee no. 1, executed several trades (in his own trading account and on behalf of the Noticee no. 2), during the investigation period. In fact, the Noticee no. 1 has executed several trades in scrip of Core Education & Tech Limited, in the account of the Noticee no. 2, over the years.*

The alleged transactions form a miniscule percentage of the Noticees general trades in the market.

- (v) The SCN has alleged that the Noticee no. 1 was determining the selling prices of the shares to be liquidated by RFL, for maintaining margin requirements (based on Annexure A to the SCN). The Noticee no. 1 submits that this is factually incorrect, and the Noticee did not determine the selling prices of the shares to be liquidated by RFL nor did he have any such authority.*
- (vi) The Noticee no. 1 was not the decision-making authority with respect to sale of shares on behalf of RFL. The Noticee no. 1 was merely a member of the Risk Team of RFL, which was supervised by the Risk Committee, under whose instructions the Noticee no. 1 functioned. Further, the Noticee no. 1 did not have the authority/ discretion to determine the sale price of the subject shares on behalf of RFL. In this regard, the observation in the Show Cause Notice that the Noticee no. 1 determined the sale price of the shares, is factually incorrect.*
- (vii) The SCN has failed to observe that the Noticee no. 1 was not the sole member of the risk team of RFL during the investigation period. There is nothing in the SCN that it was the Noticee no. 1 who had in fact placed the sale orders of the subject shares during the investigation period. The Noticee no. 1 further submits that due to delay in passing of the SCN, the Noticee no. 1 is unable to factually prove who may have placed the sell orders in respect of the subject shares of RFL. However, the SCN has failed to establish that it was the Noticee no. 1 who had placed the respective sell orders during the investigation period. In light of the aforesaid, the SCN has failed to establish that there was any front running by the Noticee no. 1 of the shares of RFL, and the SCN is liable to be set aside without any adverse findings against the Noticee no. 1.*
- (viii) The Noticees submit that no loss has been caused to retail investors on account of the alleged transactions. Even the SCN fails to determine any loss caused to retail investors of the respective scrips due to the alleged actions of the Noticee no. 1. Further, the volume of the alleged transactions was minimal and had no impact on the market volume/price of the scrips.*
- (ix) The allegations in the SCN pertain to the period of May 04, 2015 to April 29, 2016, for which the SCN has been issued belatedly after a period of 6 years, on March 18, 2021. The Noticee no. 2 submits that he has no association or connection with RFL. In light thereof, the Noticee no. 2 does not possess any information of the trades executed by RFL during the period 2015-16, and has no means of the obtaining the*

same. The Noticees submit that the inordinate delay in issuing the SCN has caused prejudice to the Noticees, and is in violation of the principle of Natural justice.

- (x) *The Noticee no. 1 has already resigned from his position in RFL with effect from 2017 and has no access to any documents/ information in relation to the alleged transactions. Additionally, all the Noticees co-workers, seniors management and promoters of RFL during the Investigation Period, are no longer employed with RFL, and therefore there is no way in which the Noticee no. 1 can obtain any information in relation to the alleged transactions that took place during the Investigation Period. The Noticee no. 1 further submits that he had tendered his office laptop to RFL at the time of his resignation, and therefore does not even have access to his own records during the Investigation Period. In light of the aforesaid, the Noticee no. 1 is precluded from providing an effective reply to the allegations levied in the Show Cause Notice. Therefore, the delay in issuance of the Show Cause Notice has gravely prejudiced the Noticee no. 1 and is in violation of the principle of natural justice.*

5. I have considered the allegations made in the SCN dated March 18, 2021, submissions made by the Noticees in their replies, submissions made during the course of personal hearing and written submissions filed thereafter. Before dealing with contentions raised by the Noticees regarding the merit of the case, it would be appropriate to deal with some preliminary issues raised by Noticees which have been dealt in the following paras.
6. Noticees have contended that the initiation of proceedings after an inordinate delay of 6 years has caused grave prejudice to the Noticees as Noticee no. 1 does not possess records for the investigation period. Further, that the Noticee no. 1 is no longer associated with RFL, and therefore, the allegation of front running the trades of RFL cannot be reasonably refuted in the absence of documents and information from RFL. The Noticee no. 1 has also submitted that he has resigned from his position in RFL with effect from 2017 and has no access to any documents/ information in relation to the alleged transactions. That the Noticees co-workers, seniors management and promoters of RFL during the Investigation Period, are no longer employed with RFL, and therefore there is no way in which the Noticee no. 1 can obtain any information in relation to the alleged transactions that took place during the Investigation Period. The Noticee no. 1 further submits that he had

tendered his office laptop to RFL at the time of his resignation, and therefore does not even have access to his own records during the Investigation Period. Therefore, the delay in issuance of the Show Cause Notice has gravely prejudiced the Noticee no. 1 and is in violation of the principle of natural justice.

7. In this regard, I note that SEBI had received a letter dated June 30, 2016 from NSE of suspected front running trades by the Noticee no. 2. Accordingly, SEBI conducted an investigation into trading activities of Noticee no. 2 in the scrips of multiple scrips i.e. Core Education & Tech Limited, Everonn Education Limited, Maharashtra Seamless Limited and Reliance Naval and Engineering Limited (formerly known as Reliance Defence and Engineering Limited/Pipavav Defence and Offshore Engineering Company Limited) for the period May 04, 2015 to April 29, 2016 to ascertain whether or not the Noticee no. 2 had front run on the trades of Religare Finvest Limited, in contravention of the provisions of SEBI Act, 1992 read with PFUTP Regulations, 2003. I note that the investigation required examination of multiple scrips during the period May 04, 2015 to April 29, 2016, in which RFL had placed orders. Further, various information was required from RFL regarding the details of persons who were privy to the trades being placed by RFL, in its organizational capacity, during the investigation period, including information from the brokers of RFL i.e. SMC Global Securities Ltd and Arch Finance Ltd. And the broker of Noticee no. 2 i.e. Eureka Shares and Stock Brokers Limited. Further, I note that the SCN issued in the present matter, contains all the relevant extracts of the investigation report which have been relied upon in the SCN and relevant documents, as listed in para 1 above, have been provided to the Noticees as Annexures to the SCN. I note that the Noticees had also sought inspection of documents and the same was availed by them on November 29, 2021. Thereafter, the Noticees have filed detailed replies dated December 07, 2021, attended hearing on December 08, 2021 and filed written submissions dated December 13, 2021. I note that the Noticees have contended that they do not possess records for the investigation period, however, I note that they have not specified what such records are, that they do not possess. Further they have not sought for or specified any documents that would be necessary for them to rely upon, either from SEBI or from RFL, in order to make their submissions. In this regard, I note that all the

documents relied upon in the SCN have been provided to them, including the trade logs of RFL and Noticee no. 2 to prove that the Noticees had front run the trades of RFL. Further, there is no contest that the Noticee no. 1 was Vice President of the Risk team of RFL during the investigation period. Hence, I find that all the relevant documents and records to allege front running by the Noticees during the investigation period have been made available to the Noticees. In view of the above, the contentions raised by the Noticees that the delay in initiating proceedings have caused grave prejudice as they do not possess record for the investigation period, are fallacious and untenable.

8. Further, with regard to the contention of Noticee no. 1 that due to the delay in issuance of SCN he has no access to any documents/ information in relation to the alleged transactions, I note that the SCN has provided the detailed trades logs of RFL and Noticee no. 2 along with the SCN as Annexure E. Further, the SCN also provides a comparative detail of the transactions of the Noticee no. 2 that have front run the trades of RFL during the investigation period. Therefore, I note that details of the transactions of RFL and of Noticee no. 2 during the investigation period have been provided to the Noticees. In view of the above, the contentions raised by the Noticees that the delay in initiating proceedings have caused grave prejudice as they have no access to any documents/ information in relation to the alleged transactions, are fallacious and untenable. Further, for the reasons stated above, the contention of the Noticee that the delay in issuance of SCN is in violation of principles of natural justice, is untenable, as all the relevant documents, including trade logs of RFL and Noticee no. 2, have been provided to the Noticees.
9. Coming to the merits of the case, the brief case, as alleged against the Noticees in the SCN, is that Noticee no. 1 was an employee of the RFL, i.e. RFL and held the designation of Vice President – Risk. Noticee No.1, being the Vice President-Risk of the RFL and having the portfolio of supervising and monitoring of margin, was authorized to give instructions, for sale of shares, to the dealer of the RFL i.e. Shri Nirmal Sharma, Manager (Risk), who used to place sell orders through online trading platform of the broker (SMC Global Securities Ltd and Arch Finance Ltd). Therefore, Noticee No. 1 was privy to the information with respect to the impending

orders of the RFL, the impending orders being in the securities, in which the RFL was going to initiate liquidation of collateral shares of its borrowers/ customers for recovery of margin shortfall. On analysis of the trade logs of Noticee no. 2, it is alleged that the trades executed from the trading account of Noticee No. 2 had front run the trades of the RFL in the scrips of Core Education & Tech Limited, Everonn Education Limited, Maharashtra Seamless Limited and Reliance Naval and Engineering Limited (formerly known as Reliance Defence and Engineering Limited/Pipavav Defence and Offshore Engineering Company Limited) during the investigation period. It was observed that Shri Abhishek Dhall (Noticee no. 2) is the son of Shri Bhola Nath Dhall (Noticee no. 1) and from the authorisation letter dated October 11, 2013 given by Noticee No. 2 to Eureka Shares and Stock Brokers Limited, it is observed that Noticee no. 2, who at the time was around 18-19 years of age, authorized Noticee No.1, to place orders, from his trading account. The trading pattern of Noticee no. 2 shows that the tranches, of the order of the first leg of intra-day trade executed from the trading account of Noticee No. 2, have been placed/executed just prior to the impending order of the RFL or before the last tranche of the order placed by the RFL and the trades for the second leg of the intra-day trade (squaring off of trades) gets executed at the same time or immediately after the initial tranche of sell order of RFL. Therefore, it is alleged that the front running trades have resulted in wrongful gain / loss averted of Rs 12,33,721/- in the equity segment of the market for Noticee no. 2. In view of the above, it is alleged that the Noticees have violated provisions of Sections 12A (a), (b), (c) and (e) of SEBI Act, 1992 and Regulations 3 (a), 3 (b), 3 (c), 3(d) and 4(1) of PFUTP Regulations, 2003.

10. 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.

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).....

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

Relevant extract of provisions of PFUTP Regulations, 2003:

“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.

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.

11. From the above, it is noted that Section 12A (e) of SEBI Act, 1992, prohibits any persons from directly or indirectly dealing in securities while in possession of material or non-public information or communicating such material or non-public information to any other person, in a manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder. In this regard, before proceeding on the merits on the case, it would first be appropriate to examine the definition of 'front running', as the allegations against the Noticees is of front running the trades of RFL. I note that the Hon'ble Supreme Court of India, while adjudicating the appeal in the Order dated September 20, 2017 of *SEBI vs. Shri Kanaiyalal Baldevbhai Patel and Ors.*, referred to the same and observed as follows:

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

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

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

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

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

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

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

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

Front-running; for the purpose of this circular, front running means usage of non-public information to directly or indirectly, buy or sell securities or enter into options or futures contracts, in advance

of a substantial order, on an impending transaction, in the same or related securities or futures or options contracts, in anticipation that when the information becomes public; the price of such securities or contracts may change.....”

12. The Hon'ble Supreme Court in the aforesaid matter, further observed as follows:

“...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")...”

13. In the present case, I note that Noticee No.1, being the Vice President-Risk of RFL and having the portfolio of supervising and monitoring of margin, was authorized, as per RFL, to give instructions, for sale of shares, to the dealer of the RFL i.e. Shri Nirmal Sharma, Manager (Risk), except for small retail selling orders, on behalf of RFL. I note that RFL is a non-deposit taking systematically important NBFC, registered with RBI, providing SME lending. A part of its business is lending against marketable securities and as part of this business, under the Loan Against Shares product, all the customers availing loan against shares facility, have to maintain margin as per the agreed terms in the loan agreement. In case of non-regularization of margin in Loan Against Shares product, the risk team has to initiate liquidation of available collateral shares of borrower/customer for the recovery of margin shortfall or outstanding loan. After identification of the shortfall amount, in the customer's loan account, by the risk team, the team was authorized for squaring off the collateral shares or liquidation of shares to the extent of maintaining the required margin of the customer. In this regard, SEBI vide email dated February 17, 2021 had sought information from RFL to clarify as who used to fix the prices for selling shares while placing orders on behalf of RFL during the investigation period. RFL, vide its email dated February 18, 2021, submitted that the selling prices were fixed by Shri B.N. Dhall (Noticee no. 1). Therefore, since Noticee no. 1 was part of the Risk Team of RFL and as per RFL, the selling price was fixed by Noticee no. 1 who was authorised to give instructions for sale of shares to the dealer of the RFL, I note that Noticee No.1 was privy to the trades

being placed by RFL, in its organizational capacity, in cases of non-regularization of margin in Loan Against Shares product offered by RFL. In other words, I note that Noticee No. 1 was privy to the information with respect to the impending orders of RFL, the impending orders being in the securities, in which RFL was going to initiate liquidation of collateral shares of its borrowers/ customers for recovery of margin shortfall.

14. In this regard, I note that Noticee no. 1 has submitted that he was not the sole member of the Risk Team of RFL during the investigation period and that he did not determine the selling price of the shares to be liquidated by RFL, nor did he have such authority. Further, that there is nothing in the SCN to show that it was the Noticee who had in fact placed the sale order of the subject shares during the investigation period. The Noticee no. 1 has also submitted that due to delay in passing of the SCN, the Noticee no. 1 is unable to factually prove who may have placed the sell orders in respect of the shares of RFL. With regard to the aforesaid submissions, I note that the allegation in the SCN is that Noticee no. 1 was privy to the information with respect to the impending orders of RFL, the impending order being in the securities, in which RFL was going to initiate liquidation of collateral shares of its borrowers/customers for recovery of margin shortfall. Therefore, I note that what is relevant is whether Noticee no. 1 was privy to such information and not who may have placed the order on behalf of RFL. In this regard, I note that the Noticee no. 1 has nowhere in his reply or written submissions submitted or contended that he was not aware or that he was not privy to the information of the impending trades of RFL. I note that the only contention of the Noticee no. 1 is that he was not the sole member of the Risk Team and that he was not authorised to determine the selling price of the shares to be liquidated by RFL. I find the said contention of Noticee no. 1 to be inconsequential and untenable as what is relevant here is that Noticee no. 1 had knowledge of the impending orders of RFL that was not available in the public domain. The information of impending trades may have been in the knowledge of the entire risk team of RFL. However, what is relevant and significant here is that Noticee no. 1 had knowledge of the impending orders of RFL as part of the Risk team of RFL, which has not been denied by the Noticee no. 1. Therefore, even if we were to accept the Noticee no. 1's submission

that he was not authorised to give instructions to the dealer of RFL or that it was not the Noticee who placed the sell order, it still remains that Noticee no. 1 was aware of the impending orders of RFL. Nonetheless, I note that RFL vide its email dated February 18, 2021 has submitted that the selling price was fixed by Noticee no. 1.

15. I note that this case pertains to the employee of an NBFC who, because of his job profile in the NBFC, was in possession of information about the impending orders of the NBFC, which was not publicly available. I note that front-running can occur in any situation where a broker, dealer, trader or an employee executing trades for any big investor, be it a company, mutual fund, foreign portfolio investor, pension fund, insurer, NBFC or Bank etc. gets advance information, that is not publicly available, on large buy or sell orders that are about to be placed and trades on this information. Therefore, what is relevant in front-running is the placing of any order in securities by a person while in possession of information that is not publicly available regarding substantial impending orders in that securities.
16. I note the decision of RFL to liquidate the shares of its borrowers/customers, is its non-public information that was not available to the public. However, I note that Noticee no. 1 was the Vice President – Risk of RFL and was the person authorised to fix the prices for selling shares while placing orders on behalf of RFL during the investigation period, and therefore, had knowledge of the information of RFL to liquidate the shares of its borrowers/customers, which I note that the Noticee has not denied. Hence, I find the aforesaid submission of the Noticee that he was not the sole member of the risk team and that he did not place the sale order for RFL, as irrelevant and untenable and I find that Noticee No.1 was in possession of the information of the impending orders of RFL, which was not available in the public domain.
17. The next question to be determined is whether the Noticee no. 1, being privy to the non-publicly available information of the impending orders of RFL, traded in the same securities. I note that the SCN alleges that the trades executed from the

trading account of Noticee No. 2, who is the son of Noticee no. 1, had front run the trades of RFL during the investigation period in the following scrips:

- (i) Core Education & Tech Limited
- (ii) Everonn Education Limited
- (iii) Maharashtra Seamless Limited
- (iv) Reliance Naval and Engineering Limited (formerly known as Reliance Defence and Engineering Limited/Pipavav Defence and Offshore Engineering Company Limited)

18. The front running by the Noticee no. 2, as alleged in the SCN, can be explained through an instance of front run trade in the scrip of Core Education & Technologies Limited (“**CETL**”) as follows:

Table 3

Date (Exchange)	Front Runner (Noticee No. 2)				RFL			
	Total Sell Qty	Avg Sell Price (Rs.)	Turnover (Rs.)					
June 24, 2015 (NSE)								
	110000	7.03	774123.4					
	Sell Order Time (range)	Sell Order Price (Rs.)	Sell Trade Time (range)	Sell Trade Price (Rs.)				
From	11:12:16	7	11:12:16	7				
To	13:22:41	7.2	14:08:48	7.35				
	Total Buy Qty	Avg Buy Price (Rs.)	Turnover (Rs.)	Matched Qty RFL (RFL)	Total Sell Qty	Avg Sell Price (Rs.)	Turnover (Rs.)	
	110000	6.6	726000	98075	351139	6.71	2356262.25	
	Buy Order Time (range)	Buy Order Price	Buy Trade	Buy Trade	Sell Order Time (range)	Sell Order	Sell Trade Time (range)	Sell Trade Price

In the matter of front running activities of Bhola Nath Dhall, former Vice President - Risk of Religare Finvest Limited, through the account of Abhishek Dhall in various scrips.

		(Rs.)	Time (range)	Price (Rs.)		Price (Rs.)		(Rs.)
From	11:43:38	6.6	11:49:22	6.6	11:37:19	6.6	11:37:19	6.6
To	11:44:42	6.7	11:50:01	6.6	14:53:30	7.1	14:53:30	7.1

19. From the above, it is noted that sell orders for 1,10,000 shares of CETL was placed from the trading account of Noticee No. 2, beginning at 11:12:16 hours just prior to the impending sell order of RFL for 3,51,139 shares, which were placed between 11:37:19 hours and 14:53:30 hours. Subsequently, post the placing of sell order of RFL (initial tranche), buy orders for 1,10,000 shares of CETL was placed from the trading account of Noticee No. 2 between 11:43:38 hours and 11:44:42 hours. Out of buy order for 1,10,000 shares, 98,075 shares (89.15%) matched with RFL.

20. Further, from the above illustration, I note that the intra-day trading activity, executed from the trading account of Noticee No. 2, are designed to follow a Sell-Sell-Buy pattern of front running i.e., vis-a-vis the impending sell orders of the RFL. In other words, the order for the first leg of the intra-day trade (the alleged front running leg) gets placed from the trading account of Noticee No. 2 just prior to the impending sell orders (mostly placed in multiple tranches) of RFL and the second leg of the intra-day trade (squaring off of trade) is set in motion by placing the order post the initial tranche of the sell order of RFL.

21. A summary of the alleged front run trades in terms of timing of order placement vis-à-vis RFL's order placement, from the trading account of Noticee No. 2, as alleged in the SCN, is as under:

Table 4

		Noticee No. 2		RFL		Noticee No. 2			
Date	Scrip Name	Sell Start	Sell End	Sell Start	Sell End	Buy Trade Time Start	Buy Trade Time End	Matched quantity	Match %
June 24, 2015 (NSE)	Core Education& Tech Ltd.	11:12:16	13:22:41	11:37:19	14:53:30	11:49:22	11:50:01	98075	89.15%

In the matter of front running activities of Bhola Nath Dhall, former Vice President - Risk of Religare Finvest Limited, through the account of Abhishek Dhall in various scrips.

April 22, 2016 (NSE)	Everonn Education Ltd.	13:57:02	14:13:19	10:16:26	14:16:33	14:16:29	14:16:33	40000	100%
April 22, 2016 (BSE)	Everonn Education Ltd.	13:58:30	14:12:46	10:16:43	14:17:03	14:14:46	14:17:03	1357	59%
March 31, 2016 (NSE)	Everonn Education Ltd.	13:07:45	13:07:45	14:08:56	14:44:11	14:09:34	14:09:48	3749	100%
Jan 04, 2016 (NSE)	Everonn Education Ltd.	12:38:41	13:06:46	15:11:09	15:25:12	15:11:09	15:11:45	6836	100%
Dec 04, 2016 (NSE)	Everonn Education Ltd.	14:39:52	15:02:56	15:07:08	15:13:49	15:13:25	15:13:49	16500	100%
Aug 25, 2015 (NSE)	Maharashtra Seamless Ltd.	10:41:39	10:57:26	10:58:59	11:13:21	11:04:39	11:13:21	54494	99.08%
March 29, 2016 (NSE)	Reliance Naval and Engineering Ltd.	11:58:22	14:08:17	12:05:57	15:10:19	12:39:29	14:14:16	167122	93.36%
March 29, 2016 (BSE)	Reliance Naval and Engineering Ltd.	12:00:09	12:40:34	12:14:42	14:10:01	12:39:50	12:40:22	44013	97.8%
March 30, 2016 (NSE)	Reliance Naval and Engineering Ltd.	09:04:24	11:09:33	09:22:58	15:19:18	11:48:57	11:49:24	141011	92.35%
March 30, 2016 (BSE)	Reliance Naval and Engineering Ltd.	10:54:55	11:08:42	09:39:59	15:19:08	11:49:35	11:49:39	28034	100%
March 31, 2016 (BSE)	Reliance Naval and Engineering Ltd.	12:19:02	13:11:26	13:39:54	15:21:11	13:26:14	13:26:14	0	0
April 13, 2016 (NSE)	Reliance Naval and Engineering Ltd.	09:28:47	11:03:04	09:40:50	14:51:03	11:01:43	15:11:19	83500	88.82%

In the matter of front running activities of Bhola Nath Dhall, former Vice President - Risk of Religare Finvest Limited, through the account of Abhishek Dhall in various scrips.

April 13, 2016 (BSE)	Reliance Naval and Engineering Ltd.	09:35:37	09:40:32	11:00:11	14:06:15	11:02:56	11:03:07	17000	100%
April 18, 2016 (NSE)	Reliance Naval and Engineering Ltd.	09:43:53	14:28:21	09:47:44	15:26:13	09:56:27	13:54:12	148969	94.88%
April 18, 2016 (BSE)	Reliance Naval and Engineering Ltd.	09:42:13	13:45:19	09:48:14	15:25:06	09:57:09	13:55:07	61798	100%
April 20, 2016 (NSE)	Reliance Naval and Engineering Ltd.	13:45:20	14:27:41	14:15:19	15:29:22	10:04:40	10:20:59	0	0

22. A summary of the alleged front run trades in terms of quantity bought and sold and the alleged wrongful gain / loss averted made from the trading account of Noticee No. 2, as alleged in the SCN, is as under:

Table 5

S.N.	Exchange	Type	Date	Scrip Name	FR Sell Qty	RFL Sell Qty	Buy Qty (Square d-off)	Matched quantity	Matching %	Wrongful gain / Loss averted in ₹
18.	NSE	SSB	June 24, 2015	Core Education & Tech Ltd.	110000	351139	110000	98075	89.15	48123.40
19.	NSE	SSB	April 22, 2016	Everonn Education Ltd.	38165	153818	40000	40000	100	36248.05*
20.	BSE	SSB	April 22, 2016	Everonn Education Ltd.	2263	26185	2300	1357	59%	1911.65*
21.	NSE	SSB	March 31, 2016	Everonn Education Ltd.	3749	17704	3749	3749	100	1694.50
22.	NSE	SSB	January 04, 2016	Everonn Education Ltd.	6836	30000	6836	6836	100	1768.10
23.	NSE	SSB	December 04, 2016	Everonn Education Ltd.	16500	34011	16500	16500	100	6238
24.	NSE	SSB	August 25, 2015	Maharashtra Seamless Ltd.	55000	133319	55000	54494	99.08	479380.10
25.	NSE	SSB	March 29, 2016	Reliance Naval and Engineering Ltd.	157281	721343	179000	167122	93.36	118371.26*

In the matter of front running activities of Bhola Nath Dhall, former Vice President - Risk of Religare Finvest Limited, through the account of Abhishek Dhall in various scrips.

S.N.	Exchange	Type	Date	Scrip Name	FR Sell Qty	RFL Sell Qty	Buy Qty (Square d-off)	Matched quantity	Matching %	Wrongful gain / Loss averted in ₹
26.	BSE	SSB	March 29, 2016	Reliance Naval and Engineering Ltd.	45000	155684	45000	44013	97.80	27361.30
27.	NSE	SSB	March 30, 2016	Reliance Naval and Engineering Ltd.	152686	525000	152686	141011	92.35	173822.95
28.	BSE	SSB	March 30, 2016	Reliance Naval and Engineering Ltd.	28034	175000	28034	28034	100	30218.15
29.	BSE	SSB	March 31, 2016	Reliance Naval and Engineering Ltd.	21721	32614	2	0	0	3692.23
30.	NSE	SSB	April 13, 2016	Reliance Naval and Engineering Ltd.	84000	294710	94000	83500	88.82	72036*
31.	BSE	SSB	April 13, 2016	Reliance Naval and Engineering Ltd.	17000	58111	17000	17000	100	11400
32.	NSE	SSB	April 18, 2016	Reliance Naval and Engineering Ltd.	167000	860000	157000	148969	94.88	135280
33.	BSE	SSB	April 18, 2016	Reliance Naval and Engineering Ltd.	61798	1700000	61798	61798	100	85475.2
34.	NSE	-	April 20, 2016	Reliance Naval and Engineering Ltd.	23365	198668	23365	0	0	700.95**
Total										12,33,721.84

* Wrongful gain figure is inclusive of wrongful gain and / or loss made by Noticee No. 2's dealing in securities while in possession of non-public information.

**Loss averted- (Weighted average sell price of RFL-Weighted average sell price of front runner)* total sell/buy quantity.

23. Based on the aforesaid tables, I note that Noticee no. 1, being privy to the impending orders of RFL, placed/executed tranches of the order of the first leg of intra-day trade from the trading account of Noticee No. 2 just prior to the impending order of RFL or before the last tranche of the order placed by RFL and the trades for the second leg of the intra-day trade (squaring off of trades) got executed at the same time or immediately after the initial tranche of sell order of RFL (except for the trade executed on NSE on April 20, 2016 in the scrip of Reliance Naval and Engineering Ltd.). I note that the aforesaid front running trades have resulted in

wrongful gain / loss averted of Rs 12,33,721/- in the equity segment of the market by Noticee no. 2.

24. In this regard, I note that Noticee no. 1 has not denied the front running trades as alleged in the SCN. As discussed in the aforesaid paras, I note that Noticee no. 1 has only submitted that he was not the sole member of the risk team and that he did not place the sale order for RFL. However, as discussed in para 13 and 14 above, what is relevant and significant is that Noticee no. 1 was aware of the impending orders of RFL, and as noted from the aforesaid paras and tables, it is evident that Noticee no. 1 has taken advantage of the said information by front running the trades of RFL. I note that Noticee no. 1 has neither denied that he was not aware of the information of impending orders of RFL and nor has he denied the aforesaid trades undertaken in the account of Noticee no. 2, as detailed in Tables 3, 4 and 5 above.
25. Further, I note that the Noticee no. 1 has submitted that since there has been an inordinate delay in the initiation of proceedings, he does not possess records for the investigation period and is unable to prove who may have placed the sell orders in respect of the shares of RFL. With regard to this submission of Noticee no. 1, I note that the SCN has stated that it was Shri. Nirmal Sharma, Manager (Risk) who used to place sell order for RFL. However, I note that Noticee no. 1 has not denied or made any submissions on the same and for reasons given in the aforesaid paras, I note that it is inconsequential as to who placed the sell orders in respect of the shares of RFL. Further, I note that a copy of the email dated February 18, 2021 of RFL, wherein, RFL has submitted that the selling price was fixed by Noticee no. 1, has been provided to the Noticee no. 1 as Annexure A to the SCN. However, I note that Noticee no. 1 has merely denied the same and not provided or submitted any supporting documents to substantiate his denial. Furthermore, I note that copy of the KYC of RFL submitted to Religare Broking Limited, wherein, Noticee no. 1 is the first authorised signatory of RFL, has been provided to Noticee no. 1 as Annexure B to the SCN. However, I note that Noticee no. 1 has not made any submissions on the same. Therefore, the contention of Noticee no. 1 that since there has been an inordinate delay in the initiation of proceedings, he does not

possess records for the investigation period and is unable to prove who may have placed the sell orders in respect of the shares of RFL, is untenable, as firstly, the Noticee no. 1 has failed to make any submissions on the documents provided with the SCN to the Noticee no. 1, from which it is evident that Noticee no. 1 had fixed the selling price of the trades of RFL. Secondly, as discussed above, it is inconsequential as to who placed the sell orders in respect of the shares of RFL, as what is relevant is that Noticee no. 1 had knowledge of the impending orders of RFL. Furthermore, as discussed in paras 7 and 8 above, I note that the Noticees have not sought for or specified any documents that would be necessary for them to rely upon, either from SEBI or from RFL, in order to make their submissions. In view of the above and the fact that the relevant documents relied upon in the SCN, including the trade logs of RFL and Noticees no. 2, have been provided to the Noticees and inspection has also been availed by the Noticees, the contentions raised by the Noticees that the delay in initiating proceedings have caused grave prejudice as they do not possess record for the investigation period and thus, are unable to prove who may have placed the sell orders in respect of the shares of RFL, are untenable.

26. I note that the Noticee no. 1 has also submitted that the quantum of gain accrued to him is negligible compared to the income of the Noticee during the relevant period, made from his employment with RFL and his general trading in the securities market. With regard to the said contention, I find that the quantum of gain accrued by the Noticee, especially in comparison to Noticees earnings, cannot be a factor to determine the liability of the Noticee for violation of the provisions of the SEBI Act, 1992 and PFUTP Regulations, 2003. Violation of the provisions of the SEBI Act, 1992 and PFUTP Regulations, 2003 is not determined or based on the quantum of gain accrued by a person and at best, can only be a factor while considering the directions to be passed in the matter. Hence, I find the submission of the Noticee no. 1 that the quantum of gain accrued is negligible, as untenable.
27. I note that the both Noticee no. 1 and 2 have submitted that Noticee no. 2 vide his letter dated October 11, 2013, to Eureka Shares and Stock Brokers Ltd., had authorised Noticee no. 1 to execute trades on his behalf and that Noticee no. 1 has

executed all the alleged transactions in Noticee no. 2's trading account. Further, that Noticee no. 2 had no knowledge of the alleged transactions and that any adverse findings, if made by SEBI, should be limited to Noticee no. 1 as Noticee no. 2, the son of Noticee no. 1, who was barely 18-19 years old when the transactions took place, had absolutely no involvement or knowledge of any trades. In this regard, I note that though Noticee no. 2 may not have been aware of the front running trades placed by Noticee no. 1 through his account, however, the fact still remains that the alleged transactions had taken place from the trading account of Noticee no. 2 and Noticee no. 2 had authorised Noticee no. 1, his father, to execute trades on his behalf. Therefore, Noticee no. 2 is liable for any of the trades carried out by Noticee no. 1 in his trading account as the authority for the same was granted to Noticee no. 1 by Noticee no. 2. Therefore, Noticee no. 2 cannot be absolved of his liability merely because Noticee no. 1 seeks to take sole responsibility of the same.

28. From the above paras, I find that Noticee no. 1, as the Vice President – Risk of RFL, used to fix the prices for selling shares while placing orders on behalf of RFL during the investigation period, and therefore, had knowledge of the impending orders of RFL, which was not available in the public domain. Noticee no. 1 having such information, then used the trading account of Noticee no. 2 to front run the trades of RFL that resulted in wrongful gain / loss averted of Rs 12,33,721/- by Noticee no. 2.

29. In view of the above, I find that Noticee no. 1, who was an employee of RFL and part of the Risk team of RFL as Vice President, was aware of the impending orders of RFL, in which RFL was going to initiate liquidation of collateral shares of its borrowers/ customers for recovery of margin shortfall, and Noticee no. 1 has taken unfair advantage of such information that was not available to the public and has through the account of Noticee no. 2, front run the trades of RFL, making wrongful gains/averting loss to the tune of Rs. 12,33,721/-. Further, I find that Noticee no. 1 had front run the trades of RFL through the trading account of Noticee no. 2, who had authorised Noticee no. 1 to execute trades on his behalf. Hence, I find that the Noticees no. 1 and 2 have indulged in front running of the trades of RFL in violation

of Section 12A (a), (b), (c) and (e) of the SEBI Act, 1992 and Regulations 3(a), 3(b), 3(c), 3(d) and 4(1) of the PFUTP Regulations, 2003.

30. I find that since the front runners made unlawful gains/averted loss 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 Noticee no. 2, who then was a student aged around 18-19 years, had no knowledge of the impending orders of RFL and was not involved in any manner in the trades that have occurred in his account and it was Noticee no. 1 who had placed all the front running orders in the account of Noticee no. 2. I also note that Noticee no. 1 has accepted responsibility and submitted that all adverse findings should be limited to him. I also note that this is not a case of renting of accounts since there was no consideration paid by the person placing the orders to the account holder.

31. SCN in the matter, also calls upon the Noticees to explain as to why appropriate penalty be not imposed upon them under Sections 15HA of SEBI Act, 1992, for the violations alleged in the SCN. Relevant extract of these penalty provisions, as existing at the time of violations, is reproduced, hereunder:

Relevant extract of Section 15HA 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.

32. 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), (b), (c) and (e) of the SEBI Act, 1992 and Regulations 3(a), 3(b), 3(c), 3(d) and 4(1) of the PFUTP Regulations, 2003. therefore, provisions of Section 15HA is attracted *qua* the Noticees.

33. 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.”

34. I find that the Noticees have made unlawful gains/averted loss of Rs. 12,33,721/- from front running the trades of RFL. I find that the material available on record does not indicate the amount of specific loss caused to investors or group of investors as a result of the default by the Noticees. I note that Noticee no. 2, who was around 18-19 years of age when the transactions took place, had no knowledge of the impending orders of RFL and was not involved in any manner in the trades that have occurred in his account and it was Noticee no. 1 who had placed all the front running orders in the account of Noticee no. 2. I also note that Noticee no. 1 has accepted responsibility and submitted that all adverse findings should be limited to him.

Directions and monetary penalties:

35. 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 Section 11(1), 11(4), 11(4A), 11B(1) and 11B(2) of SEBI Act, 1992 read with Section 19 of SEBI Act, 1992 and Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, directs as under:

- (i) Bhola Nath Dhall (Noticee no. 1) 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 in any manner, whatsoever, for a period of 2 (two) years, from the date of this order;
- (ii) Abhishek Dhall (Noticee no. 2) 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 in any manner, whatsoever, for a period of 3 (three) months, from the date of this order;
- (iii) The Noticee no. 1 is directed to disgorge the amount of Rs. 12,33,721/-, along with an interest at the rate of 12% per annum from April 29, 2016 till the date of actual payment. The said amount shall be remitted by the Noticee no. 1 to Investor Protection and Education Fund (IPEF) referred to in Section 11(5) of the SEBI Act, 1992, within 45 (forty-five) days from the date of this Order. An intimation regarding the payment of said disgorgement amount directed to be paid herein, shall be sent to "The Division Chief, IVD-ID19, Securities and Exchange Board of India, SEBI Bhavan II, Plot no. C-7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai -400 051".
- (iv) The Noticee no. 1 is hereby imposed with, the following penalties as specified:

Noticee no.	Name of Noticee	Provisions under which penalty imposed	Penalties
1	Bhola Nath Dhall	Section 15HA of the SEBI Act, 1992	Rs. 6,00,000/- (Rupees Six Lakhs)

- (v) The aforesaid Noticee is directed to pay the penalty within a period of forty-five (45) days, from the date of receipt of this order, by way of Demand Draft

in favour of "SEBI -Penalties Remittable to Government of India", payable at Mumbai or through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of Chairman/ Members -> PAY NOW. In case of any difficulties in online payment of penalties, the said Noticee 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, IVD-ID19, Securities and Exchange Board of India, SEBI Bhavan, Plot no. C 4A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400051" 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)	

36. During the period of restraint, the existing holding of securities including units of mutual funds of the Noticees shall also remain frozen. However, the obligation of the Noticees, restrained/prohibited by 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.
37. This Order shall come into force with immediate effect.

In the matter of front running activities of Bhola Nath Dhall, former Vice President - Risk of Religare Finvest Limited, through the account of Abhishek Dhall in various scrips.

38. This Order shall be served on all Recognized Stock Exchanges, Depositories and Registrar and Share Transfer Agents to ensure necessary compliance.

Sd/-

Place: Mumbai

ANANTA BARUA

Date: June 08, 2022

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA