National Stock Exchange of India

Circular

Department: Investigation	
Download Ref No: NSE/INVG/54900	Date: December 19, 2022
Circular Ref. No: 205/2022	

To All NSE Members,

Sub: SEBI Interim Order cum SCN in the matter of Trustline Holdings Pvt. Ltd - PMS and Trustline Deep Alpha - AIF

SEBI vide its Order No. WTM/SM/IVD/ID18/22232/2022-23 dated December 19, 2022, has hereby restrained the below-mentioned entities from buying, selling or dealing in the securities market or associating themselves with securities market, either directly or indirectly, in any manner whatsoever till further directions.

Sr. no.	Name of Entity	PAN
1.	R. Senthil Kumar	BHDPS1290M
2.	Geetha N.	BSYPG8237Q
3.	Prakash V	AOZPP6915J
4.	Geetha V	CGDPG9601A

Further, if the above-mentioned entities have any open position in any exchange traded derivative contracts, as on the date of the order, they can close out /square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier.

The order comes into force with immediate effect.

The detailed order is available on SEBI website (http://www.sebi.gov.in).

Further, the consolidated list of such entities is available on the Exchange website http://www.nseindia.com home page under "Home-Regulation-Members-Action against Members-Regulatory Actions".

National Stock Exchange of India

Members are advised to take note of the above and ensure compliance.

In case of any further queries, members are requested to contact the following officials:

Mr. Souradeep Ghosh (Extension: 23345), Mr. Anand Jangir (Extension: 22385)
Direct No: 022-26598417/18 Fax: 022-26598195

For and on behalf of
National Stock Exchange of India Limited

Anand Jangir
Manager

ANNEXURE: SEBI Interim Order cum SCN in the matter of Trustline Holdings Pvt. Ltd - PMS and Trustline Deep Alpha - AIF

WTM / SM / IVD / ID18 / 22232 /2022-23

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: S. K. MOHANTY, WHOLE TIME MEMBER
IMPOUNDING ORDER CUM SHOW CAUSE NOTICE

UNDER SECTIONS 11(1), 11(4)(d), 11 (4A) AND SECTION 11B (1) AND 11B (2) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 11 (1) (d) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003

In respect of –

S. No.	Noticee name	PAN
1.	R. Senthil Kumar	BHDPS1290M
2.	Geetha N.	BSYPG8237Q
3.	Prakash V	AOZPP6915J
4.	Geetha V	CGDPG9601A

IN THE MATTER OF FRONT RUNNING ACTIVITIES BY CERTAIN ENTITIES CONNECTED WITH TRUSTLINE HOLDINGS PVT. LTD. – PMS AND TRUSTLINE DEEP ALPHA – AIF

(The aforesaid entities are hereinafter individually referred to by their respective names/Noticee nos. and collectively as "Noticees", unless the context specifies otherwise)

Background

1. Securities and Exchange Board of India ("**SEBI**") conducted an investigation for the period from May 01, 2017 to June 30, 2022 (hereinafter referred to as "***Investigation Period***" or "***IP***"), to ascertain as to whether certain entities had front run the trades of Trustline Holdings Pvt. Ltd. – Portfolio Management Service (for short "***Trustline PMS***") and Trustline Deep Alpha – Alternative Investment Fund

("***Trustline AIF***") (hereinafter together referred to as "***Big Client***" or "***Trustline***") and have violated the provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the "***SEBI Act, 1992***") and various regulations framed thereunder including SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as the "***PFUTP Regulations, 2003***").

SEBI's Investigation

2. Mr. Senthil Kumar R *(Noticee no. 1),* was found to be in possession of certain non-public sensitive information about the impending trade orders of Trustline, which he got by virtue of his employment with *Trustline* as the operation manager cum dealer. The *Noticee no. 1* was seen to have taken undue advantage of the possession of those non-public sensitive information for trading through the accounts of certain connected entities, who were observed to have placed their trade orders and taken position in specific scrips just ahead of and in close proximity with the timing when the impending orders of *Trustline* were to be placed on the stock exchange platform. Subsequently, these connected entities squared off their positions in those scrips when the orders of the *Trustline* were placed in the market which helped these entities to match their squaring off orders with the orders of *Trustline* and order of other market participants. It is seen during the investigation that *Noticee no. 2* is the wife of the *Noticee no. 1*, while *Noticee no. 3* is a colleague of *Noticee no. 1* working in *Trustline* itself and the *Noticee no. 4* is the mother of the *Noticee no.3*. The investigation has noticed repeated execution of trades in the accounts of the *Noticee nos. 2, 3 and 4* which typically coincided and matched with trades executed by *Big Client* i.e. *Trustline*, details of which will be discussed in later part of this Order. It has been observed that in the process of taking a position just prior to the placing of orders by *Trustline* and squaring off such position later on during the same day, these entities were able to generate substantial proceeds of profit for themselves. This was possible for those entities who were first taking a trade position in a scrip just prior to the placing of orders for large quantities in the same scrip in anticipation of an impact on

the price movement in that scrip on account of such large impending buy / sell orders to be placed by *Trustline* which will help them to square off their earlier position in that scrip successfully with a profit which indeed happened as anticipated by them as they front run the trade orders of *Trustline* because of their prima facie advance knowledge about the impending trades orders of *Trustline* by virtue of *Noticee no. 1* being supposed as an operation manager cum dealer with *Trustline*. It is seen that these *Noticees* have traded on numerous occasions in such manner in different scrips during the *Investigation Period*.

3. Before proceeding further, I would like to refer to the definition of 'front running'. Though the term 'front running' has not been defined in the *SEBI Act, 1992* or rules and regulations made thereunder, however, the term got due consideration for discussion by the Hon'ble Supreme Court of India while adjudicating the appeal in the matter of *SEBI vs. Shri Kanaiyalal Baldevbhai Patel and Ors. dated September 20, 2017, 2012*, and the Hon'ble Apex Court has observed as follows:

> *"As per the Major Law Lexicon by P Ramanatha Aiyar (4th Edition 2010), 'front running' is defined as under:*
>
> <u>*Front running*</u> *- 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)*
>
> *…………*
>
> *…………*
>
> *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."

4. From the above in the context of the present matter, it can be stated that the following two factors are required to be considered in order to classify a trading activity as a front running activity:

a) First, there should be a prior information about an impending large trade order (*Big Client*'s order) in a particular security which, is not publicly available;

b) Second, the orders by the Front Runner in a specific scrip/share are placed (directly or indirectly) and an open position is taken on the said scrip/share just in advance of placement of the *Big Client* order, while in possession of the non-public information about the impending *Big Client* order in the said scrip/share. In other words, all the tranches of the order of the first leg placed by the Front Runner so as to taken an open position ahead of the impending *Big Client* order should have been placed on or before the time of last tranche of the order placed by the *Big Client*, for qualifying as front running transactions.

5. Now moving to the specific facts of the instant case, consequent to a detailed investigation conducted by SEBI the facts that have been unearthed can be broadly segregated into four essential parts: A. Persons/Entities of relevance, B. Connections between various entities, C. Trading activity of relevant entities and D. Quantum of unlawful gains made. A part-wise summary of the findings from the detailed investigation is presented in the following paragraphs:

A. Persons/Entities of Relevance

a) The entity that was instrumental and responsible for front running the impending trades of the *Trustline*, by sharing the confidential non-public information about such impending orders with Front Runner Account Holders as well as by facilitating the trading by such Front Runner Account Holders;

b) The Front Runner Account Holders viz: - the registered owners of the trading accounts in which front running activities have been observed; and

c) The entities who have executed trades from the trading accounts of the Front Runners.

<u>Entity that was instrumental and responsible for front running the impending trades of the *Trustline*, by sharing the confidential non-public information about such impending orders with Front Runner Account Holders / connected entities</u>

6. *Trustline* vide email dated May 26, 2022 has submitted that the following 5 persons were involved in the flow of information from decision-making to place orders till execution of the trades. Roles of the aforementioned 5 persons as submitted by *Trustline* are given in the table below:

<u>Table - 1</u>

S. No.	Name	Role
1	Mr. Arunagiri N	Fund Manager
2	Mr. Deepan Sankara Narayanan	Research
3	Mr. Ramesh Kumar S	Client servicing plus dealing
4	Mr. Senthil Kumar R (*Noticee no. 1)*	Operations responsibility plus dealing
5	Mr. Vijayakumar J	Dealing co-ordination

7. It has been observed during investigation that *Trustline AIF* placed its trades through the trading member, Integrated Enterprises (India) Private Limited (for short "***IEIPL***"), and *Trustline PMS* used to place its trades through *IEIPL* as well as through Kotak Securities Limited (for short "***Kotak***"). From *IEIPL's* e-mail dated June 27, 2022, it is noted that *THPL-PMS* and *TDA-AIF* were provided with separate terminals by *IEIPL* to ensure confidentiality of transactions executed by them and they (*Trustline)* have used the ODIN platform provided by *IEIPL* for execution and tracking of trades. The aforesaid factual revelations make it evident that the trades of *Trustline* through *IEIPL* were being executed at the location of *Trustline* by the employees of *Trustline*. It

was also observed from the ODIN server reports (Trade file) submitted by *Trustline* for the period from March 30, 2017 to October 14, 2022 that during the *Investigation Period*, amongst others, the orders for *Trustline* were punched from ODIN user ID 29502. In this respect, vide emails dated October 18, 2022, *Trustline* has further submitted that *Noticee no. 1* was placing orders for *Trustline* from the ODIN software through the above noted user ID 29502 during the period from July 28, 2017 to September 23, 2022. Further, *Kotak* vide emails dated September 14 & 21, 2022 has confirmed that amongst others, Mr. R Senthil Kumar (*Noticee no. 1*) and Mr. Prakash V (*Noticee no. 3)* were placing the orders for *Trustline* during the period i.e. May 01, 2017 to June 30, 2022

8. During the investigation, summons were issued to the *Noticee no. 1* asking him to furnish various relevant information and in the course of investigation, a statement of Mr. R. Senthil Kumar (*Noticee no. 1*) was also recorded on an oath on August 25, 2022. In his deposition, the *Noticee no. 1* has submitted on oath that the fund manager of *Trustline*, used to advise operation team to trade for *Trustline* and *Noticee no. 1* was supervising the trading activities of *Trustline*.

9. It is observed that *Trustline* has adopted 'Miles system' for allocating funds in different scrips / different class as of assets for each of its clients and the system automatically prompts the fund manager, when a need to allocate funds arises to different assets class. In this regard, during recording of statement, the *Noticee no. 1* has submitted that he had the login id and password of the 'Miles system' taken by *Trustline* for allocating funds in different scrips/different classes of assets for each client. Further, he has also admitted that being the operations manager cum dealer, he was supervising the trading operations and used to get information of impending orders to be placed on behalf of *Trustline. The Noticee no. 1* has further confessed that on the basis of his information about the impending orders of *Trustline* he used to give tips to Mr. Prakash V (*Noticee no. 3*), who was another employee working as an office assistant in *Trustline* and based on his tips, *Noticee no. 3* used to trade in scrips from his own trading account as well as from the trading account of his mother i.e. *Noticee*

no. 4 and the profits so earned by him *(Noticee No.2)* from such trades executed through the trading accounts of *Noticee nos. 3* and *4,* were shared in the ratio of 50:50 between him (*Noticee no. 1*) and *Noticee no. 3*. It is also confirmed in the deposition that on the instructions of *Noticee no. 1,* share of profits so earned was transferred by *Noticee no. 3* to the bank accounts as furnished by *Noticee no. 1* that included the bank account of one Mr. Ranjith U (having mobile no. 936XXXX469) and one Mr. Stalin (having mobile no. 962XXXX176) and sometimes the shares of profits were paid in cash as well. Similarly, during recording of statement of *Noticee no. 3* on August 01, 2022, he has also admitted on oath that he used to get the advance information about the impending trade orders of *Trustline* from *Noticee no. 1* and profits so earned out of trades executed based on those tips received from the *Noticee no. 1* in his account as well as in the trading account of *Noticee no. 4*, were shared by him with *Noticee no. 1* in ratio of 50:50 through cash as well as by transferring amounts to the bank accounts, as provided/instructed by *Noticee no. 1*. In this regard, *inter alia,* the following crucial facts have been unearthed in during the *Investigation Period*:

- During the *Investigation Period*, cumulatively (through various transactions) an aggregate amount of INR 29,20,090 was transferred from the bank account no. 5201XXXXXXX4960 of *Noticee no.* 4 maintained with Union Bank of India to the bank account number 9130XXXXXXX8179 of *Noticee no. 3* maintained with Axis Bank;
- During the *Investigation Period*, cumulatively (through various transactions) an aggregate amount of INR 10,89,909 was transferred from the bank account no. 9130XXXXXXX8179 of *Noticee no. 3* maintained with Axis Bank to the accounts of *Noticee no. 1* bearing account number 0166XXXXXX3439 with HDFC Bank and account number 91201XXXXXX4029 maintained with Axis Bank;
- During the *Investigation Period*, cumulatively (through various transactions) a total amount of INR 13.67 lacs was withdrawn from the bank account no. 30876502603 of *Noticee no.* 2 maintained with State Bank of India through ATM withdrawal and INR 3.3 lacs were transferred to the accounts of *Noticee no. 1*

bearing account number 0166XXXXXX3439 with HDFC Bank and account number 91201XXXXXX4029 maintained with Axis Bank.

10. From the information as gathered in the course of investigation that includes the information *inter alia* furnished by *Trustline* as well as obtained/gathered through the depositions of persons of relevance during the investigation, it is observed that *Noticee no. 1* being in employment of *Trustline* as operations manager cum dealer was undisputedly aware of the impending buying and selling orders of *Trustline* on any given day and also about the timing as to exactly when the order for buy / sell in a particular scrip would be placed on behalf of *Trustline,* as he was involved in role of operations dealer cum manager. It is also to be noted that the decision of the *Trustline* to buy or sell shares and the information about its possible trades or impending orders to be placed on a particular day is a confidential information of *Trustline* and the said information is undoubtedly a non-public information. Therefore, it is observed that Mr. R. Senthil Kumar (*Noticee no. 1*) was in possession of the information of the impending trades of *Trustline* which was not available in the public domain. Hence, by sharing such information about the impending trade orders of *Trustline,* with *Noticee no. 3*, thereby helping him to front run the trades of *Trustline* so as to make a profitable intra-day trading out of which *Noticee no. 1* has also received his due share of profit, it can be *prima facie* observed that *Noticee no. 1* although other 3 *Noticees* have actively indulged in front running activities by taking undue advantage of their advance knowledge of the non-public information pertaining to the impending trades of *Trustline.*

Front Runner Account Holders: The registered owners of the accounts in which front running behaviour has been observed

11. As noted in the foregoing discussions, certain entities have front-run the trades of *Trustline* during the *Investigation Period* by accessing prior information about its buy/sell trades. As noted above, the *Noticee no. 1* employed with *Trustline* as operations manager cum dealer was having information about the upcoming trades of *Trustline.* He was also, responsible and supervising the successful execution of

trades of *Trustline* and in this respect, he was seen to have punched / placed the order/ executed trades during the relevant period by and on behalf of *Trustline*. Brief details of the persons, who have been found to have traded during the relevant *Investigation Period* and whose trades have been observed as trades having been executed under the influence of the impending trades of *Trustline*, are presented in the table below:

Table - 2

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**
Ms. Geetha N *(Noticee no. 2)*	W/o R Senthil Kumar, No. 3, Block No. 7 New Police Quarters St. Thomas Mount, Kancheepuram Tamil Nadu- 600016 Email: senind1983@gmail.com; thanuma.gee@gmail.com Mob No.: 9940269654	Angel One Limited (Formerly known as Angel Broking Limited)	July 24, 2017
Mr. Prakash V *(Noticee no. 3)*	S/o Vijay Kumar, No. 75 Arulmigu Velayutham Nagar, K R Palayam, VTC & PO: Nandiambakkam, Ponneri, Tiruvallur, Tamil Nadu- 6000120, India Email: prakash_0244@yahoo.co.in; prakashv7767@gmail.com: Mob No.: 9884846469, 9840385879	Sharekhan Limited	April 07, 2014
Ms. Geetha V *(Noticee no. 4)*	W/o Vijay Kumar, 4/129 4th Block, Muthamizh Nagar, Kodungaiyur, Chennai, Tamil Nadu- 600118, India Email: prakash_0244@yahoo.co.in; Mob No.: 9884846469	Sharekhan Limited	November 27, 2017

<u>Entities who have executed trades from the trading accounts of the Front Runners</u>

12. It is revealed during the Investigation that in the KYC details of the trading account of *Noticee no. 2*, the email id senind1983@gmail.com is mentioned which apparently belongs to *Noticee no. 1* as the same email id was also submitted by *Noticee no. 1* to SEBI during the statement recording as one of his email addresses for correspondence with him. In addition to the above, even during the statement recording, *Noticee no. 1* has also submitted that he was placing orders and on several occasions has executed front running trades in the scrips from the trading account of his wife i.e. Geetha N *(Noticee no. 2)* on the basis of his knowledge of the impending orders of *Trustline*. The aforesaid admission about placing of orders and execution of trades in the trading account of the *Noticee no. 2* has further been acknowledged and confirmed by *Noticee no. 2* vide her affidavit dated September 13, 2022 confirming that the orders in her trading account were placed by her husband i.e. *Noticee no. 1.*

13. It is noted from the KYC details of the trading account (with Sharekhan Limited) and the bank account (with Union Bank of India) of *Noticee no. 4* that the email for correspondence and mobile number have been provided as prakash_0244@yahoo.co.in and 9884846469 respectively. I also note from the KYC details of the trading account (with Sharekhan Limited) and the bank account (with Axis Bank) of *Noticee no. 3* that these accounts also share common email id and mobile number viz: prakash_0244@yahoo.co.in and 9884846469 respectively with the KYC details *Noticee no. 4* noted above. Further, during the statement recording, *Noticee no. 3* who appeared on behalf of self and his mother Ms. Geetha V (*Noticee no. 4*), has submitted that the aforementioned email id and mobile number belong to him. It is also noted that the *Noticee no. 3* is mentioned as introducer in the KYC documents pertaining to trading account opening form of *Noticee no. 4*. Further, during the statement recording, *Noticee no. 3,* has also submitted that he was executing trades from his trading account as well as from the trading account of his mother (*Noticee no. 4*) and on numerous instances, such trades were executed on the basis of the tips provided by *Noticee no. 1* about the impending trades/orders of *Trustline* and the

above facts have been acknowledged by the *Noticee no. 3* on an affidavit dated September 06, 2022 as well submitted during the investigation. *Noticee no. 3* has further submitted that the orders from his trading account and from trading account of his mother were placed through phone calls and mobile application and sometimes he also visited branch of the stock broker for placing the orders. In this regard, it was further observed that Trading Member (Sharekhan Limited) of *Noticee no. 4*, vide email dated September 07, 2022 submitted that *Noticee no. 4* has authorized *Noticee no. 3* to place order from her trading account. It is also noted that *Noticee no. 4* vide affidavit dated September 06, 2022 confirmed that the orders in her trading account were placed by her son i.e. *Noticee no. 3*.

14. From the above, it is observed that trades executed from the trading account of *Noticee no. 2* to front run the impending the orders of the *Big Client* i.e. *Trustline*, were executed by *Noticee no. 1* and similarly, trades executed from the trading account of *Noticee no. 4* on the basis of tips provided by *Noticee no. 1* regarding impending orders of *Trustline* were executed by *Noticee no. 3.*

B. Connections Between Various Entities

15. Investigation revealed that the Front Runner Account Holders who indulged in front running the trades of *Trustline* were observed to be connected to *Noticee no. 1* (who had the advance information of the impending trades of *Trustline*) based on financial transactions, professional relation, KYC details, family relationship, etc. The connection of entities who indulged in taking a front-running position impending trade orders of *Trustline* placed on the stock exchange or who are observed to have front run the trades of *Trustline* in a scrip just prior to the impending orders of *Trustline* and the mode of their order placing are highlighted as under:

Table - 3

Entities front running trades of *Trustline*	**Mode of order placement and operation of trading account**	**Connection of FRs with *Trustline* – PMS & AIF**
Ms. Geetha N (*Noticee no. 2*) *(FR-1)*	Trading account maintained with Angel Broking Ltd. and operated by *Noticee no. 1* **Mode of order placement: Internet based trading facility**	*Noticee no. 2* is wife of *Noticee no. 1*. *Noticee no. 1* was dealer of *Trustline* and had information of the impending trades of *Trustline*.
Mr. Prakash V *(Noticee no. 3) (FR-2)*	Trading account maintained with trading member Sharekhan Ltd. **Mode of order placement: Internet based trading facility, Mobile Application and Phone Calls**	Mr. Prakash V *(Noticee no. 3)* and Mr. R Senthil Kumar *(Noticee no. 1)* are employees of *Trustline*. *Noticee no. 1* was dealer of *Trustline* and had information of the impending trades of *Trustline*. *Noticee no. 3* was back office executive of *Trustline* and also sometimes communicated orders as informed by *Kotak* exhibiting the possession of non-public information of the impending trades of *Trustline*.
Ms. Geetha V *(Noticee no. 4) (FR-3)*	Trading account maintained with trading member Sharekhan Ltd. and operated by *(Noticee no. 3)* **Mode of order placement: Internet based trading facility, Mobile Application and Phone Calls**	*Noticee no. 4* is mother of *Noticee no. 3* and acknowledged the fact that trades executed in her account were done by the *Noticee no. 3* who was also an authorised person for trading in her account the purpose.

16. From the aforesaid table, it can be observed that *Noticee no. 1 and 3* were connected to *Trustline* and both of them were employed with *Trustline* during the *Investigation Period.* Further, the *Noticee no. 2* is the wife of the *Noticee no. 1* and *Noticee no. 4* is mother of *Noticee no. 3*. Further, the *Noticee no. 3* has admitted in his statement recorded by SEBI that he used to receive information regarding impending orders to

be placed by *Trustline* from *Noticee no. 1*, and influenced by the possession of the above non-public price sensitive information, he had placed orders in his trading account as well as the trading account of his mother *Noticee no. 4* thereby front running the impending trades of *Trustline* during the period from May 01, 2017 to June 30, 2022. Further, it may also be noted from the materials available that both *Noticee no. 1* and *Noticee no. 3* used to operate from the same location of the office premises of *Trustline* while placing the orders which front-ran the trades of *Trustline*. It has been further admitted that apart from sharing the non-public price sensitive information by *Noticee nos. 1* with *Noticee no. 3,* as per their oral understanding, it was agreed between them that they would share the profits generated out of the trades executed based on the sharing of those non-public information in the ratio of 50:50. This scheme of receiving tips of impending orders of the *Trustline* from *Noticee no. 1* and sharing of profits out of trades so executed in the trading account of *Noticee nos. 3* and *4*, becomes further evident from the WhatsApp chats exchanged between the *Noticee nos. 1* and *3* that have been gathered in the course of the investigation.

17. Before I move on to discuss sample WhatsApp chats exchanged between *Noticee nos. 1* and *3* and the trading pattern followed by them for front running the trades of *Big Client*, it is important to describe the strategies used by them to front run the impending trades of *Trustline* which becomes manifested in their **front running behaviour** as illustrated below:

a) Buy-Buy-Sell ("**BBS**") – In this type of front running behaviour, the Front Runner, by using the non-public information about an impending Buy order of the *Big Client*, places his Buy order before the last tranche of the *Big Client*'s Buy order is placed on the stock exchange. As and when the Buy order of the *Big Client* gets executed, the price of the security rises due to demand push and the Front Runner Sells the securities at such higher rate bought earlier at a lower rate, thereby earning the difference between the new raised price of the security which is established during / post *Big Client*'s Buy trades and the price at which he had bought his securities. This pattern of front running is thus labelled as BBS denoting Buy trade by the Front Runner, Buy trade by the *Big Client* followed by a Sell trade by the Front Runner.

18. Sell-Sell-Buy ("**SSB**") - In this type of front running behaviour, the Front Runner by using the non-public information about an impending Sell order of the *Big Client*, places his Sell orders before the last tranche of the *Big Client*'s Sell order is placed on the stock exchange. As and when the large Sell order of the *Big Client* gets executed, the price of the security falls (due to supply outnumbering demand) which gives an opportunity to the Front Runner to buy back the securities at a lower price to offset his sell obligations which he had created earlier by selling the said specific securities. Thus, he pockets the difference between the price at which he had sold his securities and the new lower price which is established during / post *Big Client*'s Sell trades. This pattern of front running is thus labelled as SSB denoting Sell trade by the Front Runner, Sell trade by the *Big Client* and then Buy trade by the Front Runner.

19. Some of such WhatsApp chats as exchanged between *Noticee no. 1* and *Noticee no. 3* are explained in detail in the subsequent paragraphs.

- ***Chat A***
  03/08/21, 11:18 AM - Senthil Trust Line: Buy jash 1000 at 551.5 disclose;
- ***Chat B***
  06/08/21, 11:49 AM - Senthil Trust Line: Buy jash 1000 at 570 disclose;
- ***Chat C***
  08/07/2021, 12:43 PM - Senthil Trust Line: Cdsl sel 250 at 1029

Chat A - Explanations

20. From the above sample WhatsApp chat that took place on August 03, 2021 at 11:18 am, it is noticed that *Noticee no. 3* received a message on WhatsApp from *Noticee no. 1* suggesting him to purchase 1000 shares of Jash Engineering Limited ("**JASH**") at INR 551.5. It is further noticed that upon receipt of the message from the *Noticee no. 1*, the *Noticee no. 3,* has placed buy orders in scrip of JASH from the trading account of *Noticee no. 4*. Corresponding trades on the basis of the above chat, executed in the trading account of *Noticee no. 4* are given in the table below:

Table - 4

Pattern (BBS)	Trade date	03/08/21
	Symbol	JASH
Buy	Front Runner order Buy Quantity	362
	Front Runner Order Buy Order Start Time	11:22:20
	Front Runner Order Buy Order End Time	12:20:27
	Front Runner Avg. Buy Price	556.68
Buy	Big client activity	Buy
	Big client order Buy Quantity	20000
	Big Order Buy Order Start Time	11:06:47
	Big Order Buy Order End Time	13:17:05
Sell	Front Runner order Sell Quantity	362
	Front Runner Order Sell Order Start Time	12:21:51
	Front Runner Order Sell Order End Time	12:21:51
	Front Runner Avg. Sell Price	573.17
	Squared off diff (INR)	5,970.35

21. It is observed from the above cited WhatsApp chats and details of trades executed in the trade account of *Noticee no. 4* as referred in the table above, that subsequent to the receipt of WhatsApp message from *Noticee no. 1* on August 03, 2021 at 11:18 am, buy orders in the scrip of JASH were placed by *Noticee no. 3* from the trading account of *Noticee no. 4* between 11:22:20 and 12:20:27. Resultantly, the *Noticee no. 3* succeeded in buying 362 shares of JASH through the trading account of the *Noticee no. 4* and the above quantity of 362 shares of JASH were bought at an average price of INR 556.68 per share. It is important to note that the aforesaid buy trades in the trading account of *Noticee no. 4* were placed during the time when buy orders from *Big Client* for 20,000 shares were also placed in the scrip of JASH i.e. during 11:06:47 and 13:17:05. Once the buy trades for 362 shares in JASH were executed by *Noticee no. 3* from trading account of *Noticee no. 4* at an average price of INR 556.68, a sell order was immediately placed in the trading account of *Noticee no. 4* resulting into squaring off of the buy position of 362 shares of JASH and the average price at which the above 362 shares of JASH were sold was INR 573.17, resulting into a net profit of INR 5,970.35. Similarly, another sample chat between *Noticee no. 1* and *3* is illustrated below:

Chat B - Explanations

22. It is noted that from the above sample chat that on August 06, 2021 at 11:49 am, *Noticee no. 3* received a WhatsApp message from *Noticee no. 1* suggesting him to purchase 1000 shares of **JASH** at INR 570. This time again, acting on the message received from the *Noticee no. 1*, *Noticee no. 3* placed buy orders in scrip of JASH from the trading account of *Noticee no. 4*. Corresponding trades on the basis of the above chat, executed in the account of *Noticee no. 4* are highlighted in the table below:

Table - 5

Pattern (BBS)	Trade date	8/6/21
	Symbol	JASH
Buy	Front Runner order Buy Quantity	702
	Front Runner Order Buy Order Start Time	11:52:34
	Front Runner Order Buy Order End Time	12:00:55
	Front Runner Avg. Buy Price	570.52
Buy	Big client activity	Buy
	Big client order Buy Quantity	2500
	Big Order Buy Order Start Time	12:10:49
	Big Order Buy Order End Time	12:11:28
Sell	Front Runner order Sell Quantity	702
	Front Runner Order Sell Order Start Time	13:54:24
	Front Runner Order Sell Order End Time	13:54:24
	Front Runner Avg. Sell Price	576.80
	Squared off diff (INR)	4410.55

23. It can be noted from the above WhatsApp chat and the table referred to above that subsequent to the receipt of a WhatsApp message from *Noticee no. 1* on August 06, 2021 at 11:49 am, buy orders in the scrip of JASH were placed by *Noticee no. 3* from the trading account of *Noticee no. 4* between 11:52:34 and 12:00:55, which resulted into buy trades of 702 shares of JASH at an average price of INR 570.52. It is important to note that the aforesaid buy trades in the trading account of *Noticee no. 4* were placed during the time when buy orders from *Big Client* for 2500 shares were also being placed in the scrip of JASH i.e. during 12:10:49 and 12:11:28. Once the buy trades for 702 shares in JASH were executed by *Noticee no. 3* from trading account of *Noticee no. 4* at an average price of INR 570.52, a sell order was placed in the trading account of

Noticee no. 4 at 13:54:24 resulting into squaring off of the earlier buy position of 702 shares of JASH at an average price of INR 576.80, thereby resulting into a net profit of INR 4,410.55.

Chat C - Explanations

24. Another such instance of front running trade as observed from the WhatsApp chats, was regarding the information to trade in the scrip of CDSL, wherein on July 08, 2021 at 12:43 pm, *Noticee no. 3* received a message on WhatsApp from *Noticee no. 1* suggesting him to sell 250 shares of CDSL at INR 1029. Trades executed in the scrip of CDSL by the *Noticee no. 3* in the trading account of the *Noticee no. 4* subsequent to the receipt of the above message from the *Noticee no. 1* are given in the table below:

Table - 6

Pattern (SSB)	Trade date	08/07/2021
	Symbol	CDSL
Sell	Front Runner order sell Quantity	266
	Front Runner Order Sell Order Start Time	12:50:32
	Front Runner Order Sell Order End Time	13:27:21
	Front Runner Avg. Sell Price	1026.00
Sell	Big client activity	Sell
	Big client order sell Quantity	14581
	Big Order Sell Order Start Time	12:43:51
	Big Order Sell Order End Time	13:27:21
Buy	Front Runner order Buy Quantity	266
	Front Runner Order Buy Order Start Time	14:52:27
	Front Runner Order Buy Order End Time	14:52:27
	Front Runner Avg. Buy Price	1021.54
	Squared off diff (INR)	1186

25. It is noted that a SSB strategy was followed by *Noticee no. 3* for executing trades from the trading account of *Noticee no. 4* in scrip of CDSL, as subsequent to the receipt of information from *Noticee no. 1* on July 08, 2021 at 12:43 pm, sell orders in the scrip of CDSL were placed by *Noticee no. 3* from the trading account of *Noticee no. 4* between 12:50:32 and 13:27:21, which resulted into buy trades of quantity of 266 shares of CDSL at average price of INR 1026. It is important to note that the aforesaid sell trades in the

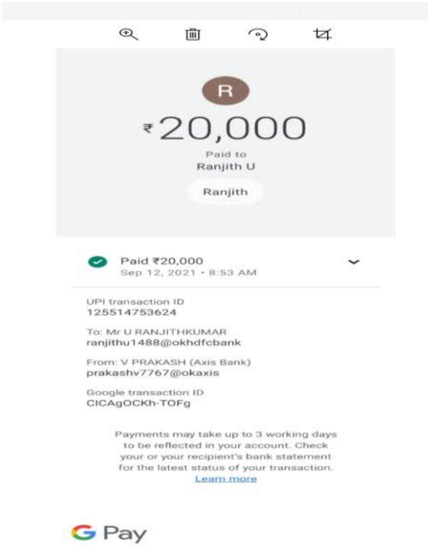
trading account of *Noticee no. 4* were placed during the time when sell orders from *Big Client* for 14,581 shares were also being placed in the scrip of CDSL i.e. during 12:43:51 and 13:27:21. Once the sell trades for 266 shares in CDSL were executed by *Noticee no. 3* from trading account of *Noticee no. 4* at an average price of INR 1026, a buy order was placed in the trading account of *Noticee no. 4* at 14:52:27 resulting into squaring off of the said buy position of 266 shares of CDSL at an average price of INR 1021.54, resulting into a net profit of INR 1,186 to the account of the *Noticee no. 4*.

26. It is also noted from the WhatsApp chats that *Noticee no. 1* used to instruct *Noticee no. 3* regarding the arrangement for sharing profits earned from such front running in the trading account of *Noticee no. 4.* Some such sample chats are as follows:

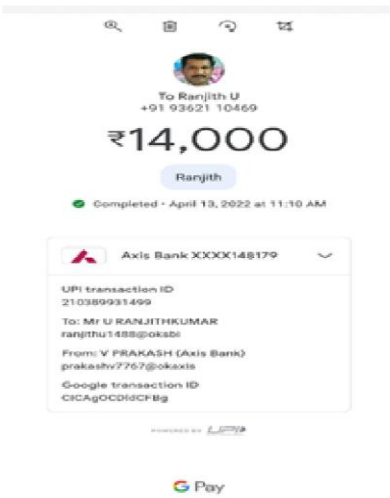
a) *12/09/21, 8:35 AM - Senthil Trust Line: +919362110469*
12/09/21, 8:36 AM - Senthil Trust Line: Transfer 20000 to ranjit... above no
12/09/21, 8:53 AM - □□□: IMG-20210912-WA0182.jpg (file attached)

b) *10/04/22, 8:59 PM - Senthil Trust Line: Me 19k total.... 14000 gpay to ranjit and 5000 cash*
13/04/22, 11:11 AM - □□□: IMG-20220413-WA0015.jpg (file attached)

27. The above cited WhatsApp chats indicate that *Noticee no. 1* on September 12, 2021 at 08:35 – 08:36 am, instructed *Noticee no. 3* on WhatsApp to transfer INR 20,000 to one Mr. Ranjit U having mobile number (+*919362110469),* an entity known to him. Later on the same day i.e. on September 12, 2021 at 08:53 am, *Noticee no. 3* shared with *Noticee no. 1* the screenshot of the payment of INR 20,000 made in favour of Ranjit U in compliance with above instruction. Screenshot of the said payment is placed below:



28. Similarly, *Noticee no. 1* on April 10, 2022 at 08:59 pm, asked *Noticee no. 3* on WhatsApp that as per computation, his share is INR 19,000 and further advised him to transfer INR 14,000 to the account of Mr. Ranjit U and pay the balance INR 5,000 in cash. In response to the above, on April 13, 2022 at 08:59 pm, *Noticee no. 3* has shared the screenshot with *Noticee no. 4* confirming that the payment of INR 14,000 to Mr. Ranjit U has been made. Screenshot of the said payment is placed below:



C. <u>Summary of trading activity of Front-runners during the investigation period</u>

29. The front-running trades of the three Front Runners i.e. *Noticee no. 2, 3 and 4* are detailed out in the ensuing paragraphs.

Trades of Ms. Geetha V (*Noticee no. 4*)

30. During the *Investigation Period*, it has been noticed that there were a total of 518 instances, when bulk buy orders were about to be placed by *Trustline*, buy trades were executed from the trading account of *Noticee no. 4* just before that, which were followed by sell orders that placed from her trading account immediately after the buy orders of *Trustline* were placed in a specific scrip. As a consequence, *Noticee no. 4* has successfully squared off her position in the said scrip and in this process, the trades executed in the account of the *Noticee no. 4* resulted in earning profits by tapping the rise in price on account of the large buy orders placed by *Trustline* (*Big Client)*. It has been seen that on majority of such occasions, the sell order placed from the account of the *Noticee no. 4* ended up in matching with the buy orders placed from the account of *Big Client*, which is *Trustline* in the instant matter. It has further been observed that on many instances, the matching percentage is 100 i.e. instances where the entire sell order of the *Noticee no. 4* have matched with buy orders of *Trustline* implying thereby, the *Noticee no. 4* was successful in selling her entire buy position to *Trustline*. A few instances of BBS pattern as executed by *Noticee no. 4* are tabulated below:

Illustrations of Buy-Buy-Sell (BBS)- in the account of *Noticee no. 4*

Table - 7

Trade date	Scrip Symbol	*Trustline* activity	*Trustline* buy qty	*Noticee no. 4* buy qty	*Noticee no. 4* sell qty	Matching %	Profit earned by *Noticee no. 4* (INR)
04/01/2021	JAGRAN	Buy	1,30,000	31,548	31,548	50	15,853.25
28/01/2021	ENIL	Buy	1,10,000	10,000	10,000	75	1,02,636.45
11/02/2021	ENIL	Buy	67,284	6,131	6,131	100	40,702.25
23/02/2021	EXPLEOSOL	Buy	25,000	2,350	2,350	100	48,465.70
04/03/2021	ENIL	Buy	55,000	4,000	4,000	100	9,510.60

31. In this respect, from an analysis of the order logs of *Big Client* and the *Noticee no. 4*, it is observed that the aforesaid BBS trading pattern followed while trading in the account of *Noticee no. 4* in close proximity with the orders of the *Big Client,* was not a solitary instance but the same strategy has been followed consistently on several instance during the *Investigation Period*. For instance, on January 28, 2021, buy orders for 10,000 securities of Entertainment Network (India) Limited. ("**ENIL**") were placed from the trading account of *Noticee no. 4* between 12:44:51 and 14:09:37 i.e. prior to the impending buy orders of the *Big Client* for 1,10,000 securities of ENIL, which were placed between 12:52:53 and 15:03:42. Subsequently, sell orders in the scrip of ENIL were placed for 10,000 securities from 14:11:24 and 14:11:49 from the trading account of *Noticee no. 4* to square off the earlier buy position taken for 10,000 securities. The above noted BBS front running pattern resulted into earning of a profit of INR 102,636.45 in the account of *Noticee no. 4.* Further, as noted above, the *Noticee no. 1* being a part of the team dealing with trades of *Trustline* was very well aware of the impending trades to be placed on behalf of *Big Client* and he was also observed to have shared/tipped such non-public information about the impending orders of *Big Client* with *Noticee no. 3* and consequently 75% of the quantity of the sell order of *Noticee no. 4* in ENIL matched with buy orders of the *Big Client* as noted in the aforementioned illustration.

32. The above illustration also demonstrates as to how both legs of the intra-day trading activity executed from the trading account of *Noticee no. 4* were designed to follow a BBS pattern with respect to the impending buy orders of the *Big Client*. In other words, the order for the first leg of the intra-day trade (the front running leg) gets placed from the trading account of *Noticee no. 4* just prior to the impending buy orders of the *Big Client* and the second leg of the intra-day trade (squaring off of trade) is set in motion by placing the sell orders before the last tranche of the impending buy orders by the *Big Client.* As a consequence, a substantial part of her sell order got matched with the buy order of *Big Client*.

33. Similarly, during the *Investigation Period*, it was observed on 86 occasions that when a bulk sell order in a specific scrip was about to be placed by *Trustline*, sell trades were executed from the trading account of *Noticee no. 4* ahead of the *Big Client* order and immediately thereafter buy orders were placed from her trading account, as soon as the expected sell orders of *Trustline* were placed in the said scrip, in order to square off her position and earn profits thereby encashing the advance knowledge the non-public information pertaining to the impending order of *Big Client* to the advantage of the *Noticees*. A few such instances of SSB pattern executed by *Noticee no. 4* are tabulated below:

Illustrations of Sell-Sell-Buy (SSB)- in the account of *Noticee no. 4*

Table - 8

Trade date	Scrip Symbol	*Trustline* activity	*Trustline* sell qty	*Noticee no. 4* buy qty	*Noticee no. 4* sell qty	Matching %	Profit earned by *Noticee no. 4* (INR)
07/08/2020	DCAL	Sell	95750	8000	8000	100	21,700.80
03/12/2020	HMVL	Sell	135577	10601	10601	100	35,156.90
09/02/2022	SPAL	Sell	75,793	596	596	-	4,125.95
26/04/2022	KDDL	Sell	6,600	245	245	92	6,229.25
10/05/2022	KABRAEXTRU	Sell	37,000	827	827	42	11,838.40

34. It is observed from the aforesaid sample instances that the trades executed from the trading account of *Noticee no. 4* have followed a SSB pattern in close proximity with the orders of the *Big Client* which as noted from the order log and trade log of *Noticee no. 4,* was done consistently during the *Investigation Period*. For instance, on April 26, 2022, sell orders for 245 securities of KDDL Limited ("**KDDL**") were placed from the trading account of *Noticee no. 4* between 12:16:58 and 15:06:36 i.e. prior to the impending sell orders of the *Big Client* for 6600 securities of KDDL, which were placed between 12:59:02 and 15:24:59. Subsequently, buy orders in the scrip of KDDL were

placed for 245 securities from 13:20:30 and 15:07:03 from the trading account of *Noticee no. 4* by *Noticee no. 3* to square off the earlier sell position taken for 245 securities. Such SSB front running pattern in the scrip of KDDL resulted into a profit of INR 6229.25 for *Noticee no. 4*. Further, 92% of the quantity of the buy order of *Noticee no. 4* matched with sell orders of the *Big Client* in the aforementioned illustration.

35. From the aforesaid, it is prima facie observed that the first leg of the intra-day trades (orders which were placed before the impending orders of the *Big Client* or before placement of the last tranche of the order of the *Big Client*), are the trades executed from the trading account of *Noticee no. 4* which have 'front run' the impending orders of the *Big Client*. The said trades have followed either a BBS pattern or SSB pattern. All the trades of *Noticee no. 4* which were executed in specific scrips in common with the *Big Client* i.e., showing BBS or SSB pattern and have earned a positive square off INR 1 or more have been considered in this Order for calculating unlawful gains made through Front run trades. The cumulative and aggregated difference upon squaring off all such trades executed from the trading account of *Noticee no.* 4 in respect of the 518 BBS instances and 86 SSB instances amounts to INR 40,15,791 that has been accrued as profit in the account of *Noticee no. 4* out of such front running trades. The details of all these trades under the above noted said instances are enclosed separately.

Trades of Mr. Prakash V (*Noticee no. 3*)

36. As noted earlier that *Noticee no. 3,* apart from being an employee with *Trustline* was also connected with the *Noticee no. 1* and used to receive tips/information from the *Noticee no. 1* about the impending orders of *Big Client* (*Trustline*). It has also been noticed that the *Noticee no. 3*, in addition to the trades executed by him in the account of his mother (*Noticee no. 4*) has also traded in his own account and a very large portion of his trades were influenced by the non-public information about the impending trades of *Big Client* received from the *Noticee no. 1*. In this respect, the investigation has noticed that in 124 instances, BBS pattern was observed in the trades executed by *Noticee no. 3* from his own trading account i.e. buy trades were executed by *Noticee no.*

3 before the bulk buy orders were about to come from *Trustline* and immediately thereafter sell orders were placed from his trading account, in order to square off his buy position to earn profits. A few instances of BBS pattern of trades executed by *Noticee no. 3* in his account by way of front running the trades of the *Big Client* are tabulated below:

Illustrations of Buy-Buy-Sell (BBS)- *Noticee no. 3*

Table - 9

Trade date	**Scrip Symbol**	***Trustline* activity**	***Trustline* buy qty**	***Noticee no. 3* buy qty**	***Noticee no. 3* sell qty**	**Matching %**	**Profit earned by *Noticee no. 3* (INR)**
04/01/2021	JAGRAN	Buy	1,30,000	3,790	3,790	84.38	4,248.15
28/01/2021	ENIL	Buy	1,10,000	2,410	2,410	68.88	33,353.55
01/02/2021	ENIL	Buy	52,500	2,400	2,400	100.00	4,840.40
11/02/2021	ENIL	Buy	67,284	2,520	2,520	100.00	18,356.35
19/03/2021	CONTROLPR	Buy	35,000	3,100	3,100	100.00	21,769.60

37. It is observed from the aforesaid sample instances that the trades executed by *Noticee no. 3* from his trading account have followed a BBS pattern around the time when the orders of the *Big Client* were placed which was followed on a consistent basis during the *Investigation Period* as observed from his order & trade logs. For instance, on February 11, 2021, buy orders for 2,520 shares of ENIL were placed by *Noticee no. 3* between 12:13:10 and 12:28:59 i.e. prior to the impending buy orders of the *Big Client* for 67,284 securities of ENIL, which were placed between 12:25:46 and 14:55:51. Subsequently, a sell order in the scrip of ENIL was placed for 2,520 securities at 13:02:11 by *Noticee no. 3* to square off the earlier position taken for 2,520 securities. Such BBS front running pattern resulted into a profit of INR 18,356.35 for *Noticee no. 3*. Further, 100% of the quantity of the sell order of *Noticee no. 3* matched with buy orders of the *Big Client* in the aforementioned illustration.

38. Similarly, it is observed that on 21 occasions, sell trades were executed by *Noticee no. 3* in his trading account prior to bulk sell orders that were about to be placed by *Big Client*, and thereafter buy orders were placed by *Noticee no. 3* from his trading account, in order to square off his earlier taken sell position to earn profits. A few such instances of SSB pattern executed by *Noticee no. 4* are tabulated below:

Illustrations of Sell-Sell-Buy (SSB)- *Noticee no. 3*

Table - 10

Trade date	**Scrip Symbol**	***Trustline* activity**	***Trustline* sell qty**	***Noticee no. 3* buy qty**	***Noticee no. 3* sell qty**	**Matching %**	**Profit earned by *Noticee no. 3* (INR)**
13/10/2020	NUCLEUS	Sell	36,917	800	800	100.00	9,240.00
11/01/2021	HMVL	Sell	57,626	3,000	3,000	100.00	5,704.70
13/01/2021	HMVL	Sell	80,199	4,550	4,550	100.00	8,616.05
19/01/2021	HMVL	Sell	1,75,658	5,000	5,000	100.00	10,784.50
16/02/2021	CDSL	Sell	1,19,653	2,000	2,000	-	12,150.40

39. The aforesaid sample instances make it clear that the trades executed from the trading account of *Noticee no. 3* have followed a SSB pattern around the time when the orders of the *Big Client* were being placed and as noted from the order log trade log of *Noticee no. 3,* this pattern of trades were executed consistently during the *Investigation Period*. For instance, on January 13, 2021, sell orders for 4,550 shares of Hindustan Media Ventures Limited ("**HMVL**") were placed from the trading account of *Noticee no. 3* between 11:12:32 and 11:30:27 i.e. prior to the impending sell orders of the *Big Client* for 80,199 shares of HMVL, which were placed between 11:20:49 and 14:35:15. Subsequently, a buy order in the scrip of HMVL was placed for 4,550 shares at 13:03:43 by *Noticee no. 3* from his trading account to square off his sell position taken earlier for 4,550 shares. Such SSB front running pattern in the scrip of HMVL resulted into a profit of INR 8616.05 for *Noticee no. 3.* Further, 100% of the quantity of the buy order

of *Noticee no. 3* matched with sell orders of the *Big Client* in the aforementioned illustration**.**

40. The above illustration also demonstrated that both legs of the intra-day trading activity executed by the *Noticee no. 3* from his trading account were knowingly designed to follow a SSB pattern so as to take advantage of the impending sell orders of the *Big Client*. In other words, the orders for the first leg of the intra-day trade (the front running leg) gets placed from the trading account of *Noticee no. 3* just prior to the impending sell orders of the *Big Client* and the second leg of the intra-day trade (squaring off of trade) is set in motion by placing the buy orders before the last tranche of the impending sell orders were placed by the *Big Client*.

41. It has already been noted earlier in this Order that *Noticee no. 1* was privy to the non-public information of *Big Client* and he was in constant touch with the *Noticee no. 3* and was further sharing information about the impending orders of *Big Client* with the *Noticee no. 3*. Further, it has been demonstrated in the preceding paragraphs that the trades executed from the trading account of *Noticee no. 3* have followed a BBS or SSB pattern around the time when the orders of the *Big Client* were being placed on the stock exchange platform. Also, as noted from the order log and trade log of *Noticee no. 3,* such pattern was consistently followed during the *Investigation Period*. The aforesaid factors when seen along with the common scrip days with the *Big Client* and the proceeds generated by his trading during the *Investigation Period*, leads to a compelling inference that since *Noticee no. 3* had access to the information of the impending orders of *Trustline*, the orders placed by him from his trading account invariably resulted in generating profit by taking undue advantage of access to the said non-public information about the impending orders of the *Big Client* (i.e. *Trustline*)**.**

42. It is seen that the cumulative gains earned by way of the difference upon squaring off all such trades by *Noticee no. 3* executed from his trading account as observed above, amount to INR 5,40,196. The trade details of afore-stated instances

are enclosed separately. All the front running trades of *Noticee no. 3* which were executed in specific scrips in common with the *Big Client* i.e., showing BBS or SSB pattern and have earned a positive square off INR 1 or more have been considered in this Order for calculating unlawful gains made through Front run trades.

Trades of Ms. Geetha N (*Noticee no.* 2)

43. It is observed during the *Investigation Period* that in 233 instances, BBS pattern was observed in the trades executed from the trading account of *Noticee no. 2* i.e. buy trades were executed in specific scrips from the trading account of *Noticee no. 2* by *Noticee no. 1* just before bulk buy orders were placed by the *Big Client.* Further, as and when buy orders of *Big Client* were placed or being placed in the system, taking advantage of the sudden surge in demand for a considerable quantity, and consequently an upward movement in the price of the said scrip, sell trades were executed from the trading account of *Noticee no. 2* in order to square off the buy trades position taken earlier so as to earn profits. It has been seen that on majority of occasions, the sell order placed from the account of the *Noticee no. 2* ended up in matching with the buy orders placed from the account of *Big Client*, which is *Trustline* in the instant matter. In the course of examination, it has further been observed that on many instances, the matching percentage is 100 i.e. instances where the entire sell order of the *Noticee no. 2* have matched with buy orders of *Trustline* which means, the *Noticee no. 2* was successful in selling her entire buy position to the *Trustline.* A few such instances of BBS pattern executed in the trading account of *Noticee no. 2* by *Noticee no. 1* are tabulated below:

Illustrations of Buy-Buy-Sell (BBS)- in the account of *Noticee no. 2*

Table - 11

Trade date	Scrip Symbol	*Trustline* activity	*Trustline* buy qty	*Noticee no. 2* buy qty	*Noticee no. 2* sell qty	Matching %	Profit earned by *Noticee no. 2* (INR)
03/02/2020	SHIL	Buy	37,596	2,414	2,414		3,953.85
06/02/2020	EMMBI	Buy	4,969	1,000	1,000	100.00	2,635.55
07/02/2020	NOCIL	Buy	1,32,144	4,000	4,000	90.05	3,200.00
19/02/2020	BAJAJCON	Buy	25,269	3,000	3,000	89.47	4,202.50
03/03/2020	SHIL	Buy	11,890	1,500	1,500	100.00	1,040.75

44. It can be seen form the above table that the trades executed from the trading account of *Noticee no. 2* have followed a BBS pattern in tandem with the timing of the buy orders of the *Big Client*. For instance, on February 06, 2020, a buy order for 1,000 shares of EMMBI Industries Limited ("**EMMBI**"), was placed from the trading account of *Noticee no. 2* at 13:36:42 i.e. just prior to the impending buy order of the *Big Client* for 4,969 shares of EMMBI, which were placed between 14:12:25 and 14:16:15. Subsequently as soon as the large buy order of *Trustline* was placed, a sell order in the scrip of EMMBI was placed for 1,000 shares at 14:54:42 in the trading account of *Noticee no. 2* so as to square off the earlier buy position of 1,000 shares. Such BBS front running pattern resulted into a profit of INR 2,635.55 for *Noticee no. 2* and also 100% of the quantity of the sell order of *Noticee no. 2* got matched with buy orders of the *Big Client* in the aforementioned illustration. From the above, it can be seen that the placement of buy orders from the trading account of *Noticee no. 2* started before the impending buy order of the *Big Client* was placed. Further, after the last buy order of *Big Client*

was placed in the system, sell trades were executed from the trading account of *Noticee no. 2* to square off and exit with profit.

45. Similarly, it is also observed that on 30 occasions, sell trades were executed from the trading account of *Noticee no. 2* prior to bulk sell orders that were about to be placed by *Big Client*, and subsequently soon after the large sell orders of the *Big Client* were placed, buy orders were placed from the trading account of *Noticee no. 2* to square off the earlier sell position taken in the scrips. Thus, the investigation has revealed that such SSB trading pattern of trading was followed by *Noticee no. 2* on a consistent basis over the period and the *Noticee no. 2* has been successful in earning profit by front running the trades of *Big Client* i.e. *Trustline* in this manner. A few such instances of SSB pattern executed by *Noticee no. 2* are tabulated below

Illustrations of Sell-Sell-Buy (SSB)- in the account of *Noticee no. 2*

Table - 12

Trade date	Scrip Symbol	*Trustline* activity	*Trustline* sell qty	*Noticee no. 3* buy qty		*Noticee no. 3* sell qty	Matching %	Profit earned by *Noticee no. 2* (INR)
27/11/2020	RATNAMANI	Sell	5,441	400		400	100.00	3,090.30
03/12/2020	HMVL	Sell	1,35,577	2,000		2,000	100.00	9,108.45
12/02/2021	GRANULES	Sell	94,057	3,000		3,000	-	10,417.05
20/04/2021	KDDL	Sell	20,100	300		300	100.00	6,018.15
26/05/2021	GRANULES	Sell	80,847	5,000		5,000	80.70	4,628.90

46. As may be observed from the aforesaid sample instances, the trades executed from the trading account of *Noticee no. 2* have followed a SSB pattern around the timing of placement of orders of the *Big Client*. For instance, on April 20, 2021, a sell

order for 300 shares of KDDL was placed from the trading account of *Noticee no. 2* at 13:07:33 i.e. prior to the impending sell orders of the *Big Client* were placed for 20,100 shares of KDDL, which were placed between 13:18:05 and 15:02:02. Subsequently, a buy order in the scrip of KDDL was placed for 300 shares at 14:23:12 from the trading account of *Noticee no. 2* to square off the sell trades for 300 shares. Such SSB front running pattern in the scrip of KDDL resulted into a profit of INR 6,018.15 for *Noticee no. 2*. Further, 100% of the quantity of the buy order of *Noticee no. 2* matched with sell orders of the *Big Client* in the aforementioned illustration**.**

47. The above illustration also demonstrates as to how both legs of the intra-day trading activity executed from the trading account of *Noticee no. 2* were consciously designed to follow a SSB pattern with respect to the impending sell orders of the *Big Client* so as to result in earning of profit. In other words, the orders for the first leg of the intra-day trade (the front running leg) gets placed from the trading account of *Noticee no. 2* just prior to the impending sell orders of the *Big Client* and the second leg of the intra-day trade (squaring off of trade) is set in motion by placing the buy orders before the last tranche of the impending sell orders were placed by the *Big* Client. It is also seen that on a majority of occasions the *Noticee no. 2* has been successful in reversing her position completely in those scrips wherein she was observed to be short selling in a scrip before the sell orders by the *Big Client* in the scrip.

48. It has been established earlier in this Order and admitted by the *Noticee no. 1* that he was placing the trades from the trading account of his wife i.e. *Noticee no. 2*. Further, it has been demonstrated in the preceding paragraphs that the trades executed from the trading account of *Noticee no. 2* have followed a BBS and/or SSB pattern around the timing of placement of orders of the *Big Client* which, as noted from the order log trade and log of *Noticee no. 2,* were done consistently during the *Investigation Period*. The aforesaid factors when seen along with the common scrip days with the *Big Client* and the profits generated by such trading during the *Investigation Period*, lead to a strong inference that since *Noticee no. 1* had access to the confidential and non-pubic information of impending orders of *Trustline*, the orders

placed by him, from the trading account of *Noticee no. 2* were placed deliberately to take such undue advantage of his access to non-public information of the *Big Client* and to earn profit by trading while possessing those information.

49. The aggregate of profits so earned upon squaring off all such trades executed from the trading account of *Noticee no.* 2 in respect of the 233 BBS instances and 30 SSB instances as observed in the course of investigation, amounted to INR 12,10,234. The trade details of the afore-stated instances are enclosed separately. While calculating the amount of profit unlawfully earned through the trades executed by the *Noticee no. 1* in the trading account of *Noticee no. 2,* all the trades which were in common scrips with the *Big Client* displaying BBS or SSB pattern and have earned a positive square off INR 1 or more, have been considered in this Order for calculating unlawful gains made through Front run trades as front run trades.

50. As per the information submitted during the statement recording, it is noted that the annual income of the *Noticee no. 3* from all sources was merely INR 4.5 lacs Under the circumstances, for a person whose annual income was barely around INR 4.5 lacs a year, it is quite unusual to note that the trade value of the first leg of his intra-day trades in 48 out of total 145 instances (BBS / SSB) ranged from INR 3 lacs to 20 lacs. Similarly, in case of *Noticee no. 4,* who has submitted vide an affidavit dated September 06, 2022 that she is uneducated and has no idea about online trading, the trade value of the first leg of her intra- day trades in 306 out of total 604 instances (BBS / SSB) ranged from INR 3 lacs to 75 lacs. The aforesaid instances of trades clearly indicate that the *Noticee no. 3* was knowing very well that in the event he is not able to square off his first leg of intra-day trade involving such huge exposure of risks to his trading account as well as to the account of his mother (*Noticee no. 4*) during the day itself, he would have ended up paying money ranging from INR 3 lacs to 75 lacs to the broker for taking delivery of those shares, which was certainly beyond his financial capacity or known sources of annual income. Similar huge exposure to intra-day speculative position has been observed in the trading account of *Noticee no. 2*, whose annual income was INR 5.4 lacs (monthly income 45,000) and annual income of his

husband (*Noticee no. 1*) who was placing orders from her account was INR 11 lacs. It is observed that the trade value of the first leg in those intra- day trades in 84 out of total 263 instances (BBS / SSB) ranged from INR 3 lacs to 34 lacs. It therefore implies that while placing the first leg order and while taking such high value exposure in BBS / SSB strategy involving huge pay-in and pay-out amounts that were way beyond their annual incomes, the *Noticees* were pre-determined to square off their trades by the end of the trading hours of that very day itself. Now, if the *Noticees* were knowing in advance that they will offset the first leg their trades by taking another square off trade and keeping the fact in view that incurring huge amounts of losses was beyond their financial means as manifested by their annual income, it leads to an irresistible inference that the *Noticees* had taken such high risk and high value positions only because they were most likely expecting a predictably profitable exit from such position since a prudent person of their income levels and means, would not take the risk of intra-day losses which could be of any uncertain amount. Given the aforesaid observations, the *Noticees'* actions of taking an exposure in equity market in multiple times of their annual incomes, when analysed in the backdrop of the above discussed peculiarities noticed in the trades executed by the *Noticees*; clearly indicates that the aforesaid intra-day offsetting trades executed by the *Noticees* in different trading accounts were not borne out of any bonafide act made in the normal course of dealing in securities but by way of executing a pre-conceived plan to choose a specific opportune time to buy or sell the shares to front-run the buy or sell orders placed by *Trustline* (*Big Client*) and then square off the trade at a profitable price available in the system due to the price impact created in the said specific scrip by the buy or sell orders of *Trustline.*

51. In addition to the above observations, an analysis of Common Scrip Days of Front Runners with the *Big Client* was carried out during the *Investigation Period*. The following is a summary of the trading profiles of the Front Runners i.e. *Noticees no. 2 to* 4 and the Common Scrip Days they shared with the *Big Client*, i.e. *Trustline*:

Table - 13

Front Runners	**Number of instances for trades executed during the *Investigation Period***	**Common Scrip days / with *Trustline PMS***	**%**
Noticee no. 2	1317	356	27.03
Noticee no. 3	329	174	52.89
Noticee no. 4	1,335	760	56.93

52. From the aforesaid table, it is observed that fairly a large percentage of scrip days of *Noticee no. 2 to 4* are in common with the *Big Client* and there is a significant overlap in the scrip days between front runners and the *Big Client*. In an universe of numerous securities, it is observed that the FRs (*Noticee no. 2 to 4*) not only did trading on a regular basis on the same day when the *Big Client* traded but also placed orders in the same securities as did the *Big Client*, by following either BBS pattern or SSB pattern on a consistent basis. The same leads to an inference that the said acts of the FRs to trade on same days and in same scrips as the *Big Client* (*Trustline*) traded, were carried out by design and not by mere coincidences of trades.

D. <u>Unlawful profits made by front runners</u>

53. Having observed above that the *Noticee no. 1* being a person having prior information about the impeding orders of *Big Client,* has engaged in front running trading in the account of his wife i.e. *Noticee no. 2* (*FR-1* has shared that non-public information with his colleague i.e. the *Noticee no. 3* (*FR-2*) for executing front running trades account as well as in the trading account of his mother i.e. *Noticee no. 4* (*FR-3*), I have also pointed out how substantial unlawful gains have been earned by the *Noticees* by engaging in such unfair and fraudulent activities. In this respect, for the purpose of calculation of unlawful proceeds, number of scrip days where the *Noticees* have day traded and commonly traded with the *Big Client* and have earned a positive

square off earning of INR 1 or more, have been taken into consideration and the profit so earned in the account of respective *Noticees*/ FRs have been ascertained as below:

<u>Table - 14</u>

Name of the Front Runner	**Total Unlawful gains (INR)**
Ms. Geetha N *Noticee no. 2*	12,10,234
Mr. Prakash V (*Noticee no. 3*)	5,40,196
Ms. Geetha V (*Noticee no. 4*)	40,15,791
Total	**57,66,221**

<u>Summary and Violations</u>

54. Before, I summaries the observations of the Investigation, it is pertinent to refer to the relevant legal provisions as applicable to the aforesaid fraudulent activities of the *Noticees*:

<u>SEBI Act, 1992</u>

12A. 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;

PFUTP Regulations, 2003

2. (1) In these regulations, unless the context otherwise requires, –

(c) "fraud" includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include –

(1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;

(2) a suggestion as to a fact which is not true by one who does not believe it to be true;

(3) an active concealment of a fact by a person having knowledge or belief of the fact;

(4) a promise made without any intention of performing it;

(5) a representation made in a reckless and careless manner whether it be true or false;

(6) any such act or omission as any other law specifically declares to be fraudulent,

(7) deceptive behaviour by a person depriving another of informed consent or full participation,

(8) a false statement made without reasonable ground for believing it to be true.

(9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.

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 *[manipulative,] fraudulent or an unfair trade practice in securities *[markets].*

*2) Dealing in securities shall be deemed to be a **[manipulative] fraudulent or an unfair trade practice if it involves *[any of the following]: –*

*(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;]*

55. Based on the discussions in this Order, the salient features of the scheme as employed by the *Noticees* to 'Front run' the order of the *Big Client / Trustline* can be highlighted as follows:

a) *Noticee no. 1* who was operations manager cum dealer in *Trustline* during the *Investigation Period* and was privy to the non-public information about the impending orders of *Trustline*, placed orders from the trading account of his wife i.e. *Noticee no. 2*. He has also passed on the information about those impending orders of *Trustline* to *Noticee no. 3*, who in turn placed orders from his as well as from the trading account of his mother i.e. *Noticee no. 4.* The orders were placed either in the BBS pattern or SSB pattern around the timing of the orders placed on behalf of *Trustline* in a manner to generate substantial proceeds.

b) From the trading pattern and the particulars of trades executed by the *Noticees* as discussed above, it is observed that that many of the tranches of the orders of the first leg of intra-day trades placed from the trading accounts of *Noticees nos. 2 to 4* (front running leg) have been placed / executed prior to the placement of the impending trade orders of the *Trustline* or before the last tranche of the orders were placed by the *Trustline* while the second leg of the intra-day trade (squaring off trades) began by placing orders prior to the execution of the last tranche of the orders on behalf of the *Trustline.*

c) The frequency with which the first legs of the intra-day trades (the front running leg) were executed, shows that it was done on a numerous occasions, prior to the placement of the impeding orders of the *Trustline* or before the last tranche of the orders of the *Trustline.* This coupled with the fact that on multiple instances orders were also placed by *Noticees no. 1 and 3*, in synchronisation with and in tandem with the orders of *Trustline* leads to a strong *prima facie* inference that the said trades were not executed as mere coincidence with the trades of *Trustline* since the first legs of such trades would not have been entered into the system, had the *Noticees no. 1 and 3*, not been in possession of or privy to the non-public information about the impending orders of the *Trustline* in those scrips.

d) The information regarding the impending orders was provided by *Noticee no. 1* to *Noticee no. 3* on mutual understanding that the profits earned by trading on the basis of such information shall be shared in 50:50 ratio between *Noticee no. 1* and *Noticee no. 3.* The aforesaid proceeds were either transferred through bank accounts or withdrawn in cash in an attempt to hide the audit trail of usage of the unlawful gains made out of such front running activities.

e) Further, *Noticees no. 2 and 4* have consciously enabled / facilitated *Noticees No. 1 and 3* respectively in executing front running trades in their trading accounts during the Investigation Period. Similarly, *Noticees no. 2 and 4* have also allowed their bank accounts to be used and operated by *Noticees No. 1 and 3* respectively.

56. The aforesaid acts observed on the part of the *Noticee no. 1* as discussed in detail in the preceding paragraphs have quite glaringly resulted into violation of the provisions of section 12A (a), (b), (c) of the *SEBI Act, 1992* and regulation 3 (a), (b), (c), (d) and 4 (1) & 4 (2) (q) read with regulation 2 (1) (c) of the *PFUTP Regulations, 2003*. Similarly, the acts noted on the part of the *Noticee no. 3* of trading in his own account as well as in the account of his mother (*Noticee no. 4*) after receiving the non-public information relating to the impending orders of *Big Client* have also *prima facie* resulted into violation of the provisions of section 12A (a), (b), (c) of the *SEBI Act, 1992* and regulation 3 (a), (b), (c), (d) and 4 (1) & 4 (2) (q) read with regulation 2 (1) (c) of the *PFUTP Regulations, 2003*. The *Noticee nos. 2 and 4* have also apparently aided and abetted the above two *Noticees* i.e. *Noticee nos. 1 and 3* respectively for facilitating the execution of front running trades from their respective trading accounts in the manner as narrated aforesaid and thereby are alleged to have acted in violation of the provisions of section 12A (a), (b), (c) of the *SEBI Act, 1992* and regulation 3 (a), (b), (c), (d) and 4 (1) & 4 (2) (q) read with regulation 2 (1) (c) of the *PFUTP Regulations, 2003*.

57. Under the circumstances, the acts as observed on the part of the *Noticees* in front running the trades of *Big Client* (*Trustline*) are observed to be in violations of the relevant provisions of the *PFUTP Regulations, 2003*. It is also observed that through the aforesaid alleged acts of front running the trades of *Big Client*, the *Noticees* have unduly earned and enriched themselves unlawfully. In the light of the above, the issue which now merits discussion is who amongst the *Noticees*, would be liable for the proceeds generated by the aforesaid alleged front running trades. From the above discussion, I note that the proceeds from the front running trades would not have been generated, if each *Noticee* had not played its respective role in the front running scheme. Since it is evident that *Noticee no. 1* and *Noticee no. 3* were sharing profits to the extent of 50:50, it is viewed that the profit of INR 57,66,221 unjustly made by *Noticee no. 1* and *Noticee no. 3* through the trading accounts of *Noticee no. 2, 3 and 4* by engaging in acts of front-running the trades of *Trustline* during the *Investigation Period*, it sounds reasonable and logical that the profit so earned together by all the *Noticees*

should be jointly and severally enforced vis-à-vis all the *Noticees*. *Noticee no. 1* was the mastermind of the fraudulent artifice and scheme to generate profit from front-running trades of *Trustline* through trades executed in the trading account of *Noticee no. 2* and it was he (*Noticee no. 1*) who provided information of impending orders of *Trustline* to *Noticee no. 3*, who in turn has also front ran the impending orders of *Big Client* in his own trading account and in the trading account of his mother *(Noticee no. 4)*. Further the profit earned unlawfully through the alleged front running trades executed in the trading accounts of the *Noticee nos. 3* and *4* are observed to have been shared by the *Noticee no. 3* equally with *Noticee no. 1*. Considering the concerted efforts of all the *Noticees* who have knowingly engaged or allowed themselves to be engaged in such acts of fraudulent and unfair trades in securities, in my opinion *Noticees* are alleged to be liable for unlawful gains in the following manner:

Table - 15

Name of the Front Runner	**Trading Account of Front Runner operated by**	**Entities liable for un-lawful gains through Front Runner**	**Total Unlawful gains (INR)**
Ms. Geetha N *(Noticee no. 2)*	Mr. R Senthil Kumar *(Noticee no. 1)*	Mr. R. Senthil Kumar *(Noticee no. 1)* and Ms. Geetha 2 *(Noticee no. 2)*	12,10,234
Mr. Prakash V *(Noticee no. 3)*	Mr. Prakash V *(Noticee no. 2)*	Mr. R. Senthil Kumar *(Noticee no. 1)* and Mr. Prakash V*(Noticee no. 3)*	5,40,196
Ms. Geetha V *(Noticee no. 4)*	Mr. Prakash V *(Noticee no. 2)*	Mr. R. Senthil Kumar *(Noticee no. 1)*, Mr. Prakash V*(Noticee no. 3)* and Ms. Geetha V *(Noticee no. 4)*	40,15,791
Total			**57,66,221**

Conclusion

58. The facts of the case as narrated in the preceding paragraphs place before me a critical situation of urgency which calls for early invocation of power provided under Section 11 of the *SEBI Act, 1992* in order to insulate the securities market from continuation of such unfair and fraudulent acts like the ones perpetrated by the *Noticees* which are antagonistic and detrimental to the orderly development of the securities market. The startling revelations that came out of SEBI's investigation which have been already narrated in the preceding paragraphs, show how the *Noticees* went on unabatedly front running the trades of *Trustline* and continued to make unlawful gains on a regular basis so much so that earning proceeds out of such unlawful acts on a regular basis had become a regular habit of the *Noticees* who were using these acts as a parallel source of income.

59. I observe that the Hon'ble Courts of the country have time and again stressed upon the need to curb the manipulative and unfair trade practices in securities market and in this respect, the Hon'ble Supreme Court of India in the matter of *N. Narayanan Vs. SEBI [(2013) 12 SCC 152]* has observed that "*if market abuse is not properly curbed, then it would result in defeating the very object and purpose of SEBI Act......Prevention of market abuse and preservation of market integrity is the hallmark of Securities Law…Market manipulation is normally regarded as the "unwarranted" interference in the operation of ordinary market forces of supply and demand and thus undermines the "integrity" and efficiency of the market*". The Hon'ble Supreme Court have also observed that "*Section 12A read with Regulations 3 and 4 of the Regulations 2003 essentially intended to preserve 'market integrity' and to prevent 'Market abuse'*." In yet another judgment passed in the matter of *Kishore Ajmera Vs. SEBI [AIR 2016 SC 1079],* the Hon'ble Supreme Court has further held that: "*Investors' confidence in the Capital/Securities Market is a reflection of the effectiveness of the regulatory mechanism in force. All such measures are intended to pre-empt manipulative trading and check all kinds of impermissible conduct in order to boost the investors' confidence in the Capital market. The primary purpose of the statutory enactments*

is to provide an environment conducive to increased participation and investment in the securities market which is vital to the growth and development of the economy."

60. At this stage, I would also like to refer and seek reliance on the order of the Hon'ble Securities Appellate Tribunal, passed in the matter of *Amalendu Mukherjee Vs. SEBI (Appeal (L) no. 169 of 2020),* wherein the Hon'ble Tribunal has underscored the necessity of passing impounding orders by *inter alia* observing as: "*We are of the opinion that the WTM is empowered under the SEBI Act and the Regulations to pass an ex-parte order in order to protect the interests of securities market and the investors. If such impounding order is not passed, it may result in defeating the ultimate direction of disgorgement if any, as there would be chances of such monies being dissipated by the appellant. However, we are of the opinion that such order cannot be allowed to continue for an indefinite period and the matter has to be concluded at the earliest*."

61. Accordingly, as an urgent interim measure to prevent the *Noticees* from continuing with such fraudulent acts thereby compromising the integrity of the securities market on an ongoing basis, it is now warranted that an order under Section 11 (1) read with Section 11 (4) (d) and 11B (1) be passed against the *Noticees,* restraining the *Noticees* from being associated with the securities market as well for impounding the unlawful profits so far made by them through their fraudulent acts in contravention of various provisions of *SEBI Act, 1992* and *PFUTP Regulations, 2003* as pointed out above in the Order.

<u>Order</u>

62. In view of the foregoing, I, in exercise of the powers conferred upon me under Sections 11, 11 (4), 11B (1) read with Section 19 of the SEBI Act, 1992, hereby by way of the present *interim* order cum show cause notice, issue the following directions, which shall remain in force until further orders:

a) The *Noticees* are restrained from buying, selling or dealing in the securities market or associating themselves with securities market, either directly or indirectly, in any manner whatsoever till further directions. If the *Noticees* have any open position in any exchange traded derivative contracts, as on the date of the order, they can close out /square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier. The *Noticees* are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order. It is further clarified that during the period of restraint, the existing holding of securities including the holding of units of mutual funds of the *Noticees* shall remain frozen;

b) The *Noticees no. 1 and 3* are hereby restrained from associating themselves with any intermediary registered with SEBI, in any capacity till further orders;

c) The amounts mentioned in Table 15 at paragraph 57 of this Order, being the alleged unlawful gains, shall be impounded, jointly and severally, from the entities mentioned in the respective column of the said table.

d) *Noticees* are also directed that the amount of unlawful gain made is to be credited to an interest bearing Escrow Account ["Escrow Account in Compliance with SEBI Order dated December 19, 2022 – A/c (in the name of the respective person)]" created specifically for the purpose in a Nationalized Bank. The Escrow Account(s) shall create a lien in favour of SEBI and the monies kept therein shall not be released without permission from SEBI.

e) Banks are directed that no debits shall be made, without permission of SEBI, in respect of the bank accounts held jointly or severally by the persons mentioned under Table 15, except for the purposes of transfer of funds to the Escrow Account. Further, the Depositories are also directed that no debit shall be made, without permission of SEBI, in respect of the demat accounts held by the aforesaid persons. However, credits, if any, into the accounts maybe allowed. Banks and the Depositories are directed to ensure that all the aforesaid directions are strictly enforced. Further, debits may also be allowed for amounts available in the account in excess of the amount to be impounded. Banks are allowed to debit the accounts for the purpose of complying with this Order.

f) The Registrar and Transfer Agents are directed to ensure that, they neither permit any transfer nor redemption of the securities, including Mutual Funds units, held by the *Noticees*.

g) *Noticees* are directed not to dispose of or alienate any of their assets/properties/securities, till such time the individual amount of unlawful gains made are credited to the abovementioned Escrow Account except with the prior permission of SEBI.

h) *Noticees* are further directed to provide a full inventory of all their assets whether movable or immovable, or any interest or investment or charge in any of such assets, including property, details of all their bank accounts, demat accounts, holdings of shares/securities if held in physical form and mutual fund investments and details of companies in which they hold substantial or controlling interest immediately but not later than 7 working days of this Order.

63. The *prima facie* observations/findings contained in this Order are made on the basis of the material available on record. In light of the alleged violations of the provisions of *the SEBI Act, 1992* and *PFUTP Regulations, 2003* by the *Noticees,* this Order shall be treated as a Notice under Sections 11(1), 11(4), 11(4A), 11B (1), 11B (2) and 11(5) of SEBI Act 1992, read with SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005, calling upon them to show cause as to why certain directions shall not be passed against them, as proposed hereunder:

i. Directing them to disgorge an amount equivalent to the unlawful gains made on account of front-running the trades of *Trustline*, along with interest;

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.

iii. Directing them to refrain for an appropriate period from holding association with the securities market and/or holding any post with any entity associated with the securities in any manner whatsoever;

iv. Imposing penalty on them in terms of Sections 11 (4A) and 11B (2) read with Section 15 HA of the *SEBI Act,1992.*

64. *Noticees* may file their replies to SEBI within 21 days from the date of receipt of this Order. They may also indicate in their replies whether they wish to avail an opportunity of personal hearing in the matter.

65. This Order shall come into force with immediate effect and shall be in force till further Orders.

66. This Order is without prejudice to any other action that SEBI may initiate under the securities laws, as deemed appropriate, against the *Noticees.*

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

Sd/-

DATE: DECEMBER 19, 2022 **S. K. MOHANTY**

PLACE: MUMBAI **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA