National Stock Exchange of India
Circular

Department: Investigation	
Download Ref No: NSE/INVG/56542	Date: April 28, 2023
Circular Ref. No: 110/2023	

To All NSE Members,

Sub: **Order in the matter of trading activities of Nimi Enterprises**

SEBI vide its order no. WTM/SM/IVD/ID2/26026/2023-24 dated April 28, 2023, has hereby restrained the below entities from accessing the securities market and are 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 the period specified in their respective columns:

Sr. No.	Name of the Entity	PAN	Period of debarment
1	M/s Nimi Enterprises	AAIFN4109P	1 Year
2	Mr. Dilip Talakshi Vora	AABPV0804C	1 Year
3	Ms. Nishi Vora	AVNPV6316J	1 Year
4	Mr. Rohit Bhawanji Chheda	AAAPC4847K	2 Years

Further, all open positions, if any, of the entities debarred in the present Order, in the F&O segment of the stock exchanges, are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.

This Order shall come 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”.

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

National Stock Exchange of India

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

Mr. Gaurav Damani (Extension: 22387), 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

National Stock Exchange of India

ANNEXURE: Order in the matter of trading activities of Nimi Enterprises

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11(1), 11(4), 11(4A), 11B (1) 11B (2) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF TRADING ACTIVITIES OF NIMI ENTERPRISES

In respect of:

Sr. No./ Noticee No.	Name of the Noticee	PAN
1.	**M/s Nimi Enterprises**	**AAIFN4109P**
2.	**Mr. Dilip Talakshi Vora, Partner of M/s Nimi Enterprises**	**AABPV0804C**
3.	**Ms. Nishi Dilip Vora, Partner of M/s Nimi Enterprises**	**AVNPV6316J**
4.	**Mr. Rohit Bhawanji Chheda**	**AAAPC4847K**

(*The above entities are individually referred to by their corresponding names/numbers and collectively referred to as "Noticees"*)

1. Securities and Exchange Board of India (hereinafter referred to as "***SEBI***") had conducted an investigation into the trading activities of M/s Nimi Enterprises (hereinafter referred as "***Noticee no.1***") for the period of July 1, 2017 to February 28, 2018 (hereinafter referred to as the "***investigation period***") to ascertain as to whether its trading activities were in contravention of provisions of the Securities and Exchange Board of India Act, 1992 ("***SEBI Act, 1992***") and SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 ("***PFUTP Regulations, 2003***").

2. The investigation, as aforesaid, revealed the following facts:

   i. The *Noticee no. 1* is a partnership firm and the *Noticee no. 2* and *3* are its partners in the ratio of 60:40. *Noticee no. 2* (Mr. Dilip Talakshi Vora*)* is the father of the *Noticee no. 3* (Ms. Nishi Vora*)*.

ii. *Noticee no. 1* was having a trading account with Edelweiss Stock Broking Limited through *Noticee no. 3* acting as Authorised Person (hereinafter referred as "**AP"**) of the said stock broker.

iii. During the investigation period, the *Noticee no. 1* has traded in 16 different scrips on 58 scrip days.

iv. The examination of the trading activities of the *Noticee no. 1* revealed an identifiable pattern wherein, it first used to place a large order in a particular scrip on one side (buy or sell) at a price having substantial difference from the existing market price/last trade price; thereafter, another contra order was placed by the *Noticee no. 1* in the same scrip containing a lesser number of shares (as compared to the earlier order) at a price near to market prices and subsequent to the execution of the second order containing smaller quantities, the previously placed order containing a large number of shares was cancelled. In most of the orders, the quantities of the orders were fully disclosed to the market.

v. The aforesaid peculiar pattern of trading has been followed by the *Noticee no. 1* on 58 scrip days spread over 16 different scrips.

vi. More than 95% of such trades of the *Noticee no. 1* were executed through Edelweiss Broking Limited, wherein the *Noticee no. 2* (partner of the *Noticee no.1* and the person authorised to place orders on its behalf) had placed such orders in offline mode. Most of such orders were placed from User ID: 40781 and Trading Terminal ID no. 400014001001, which belonged to the *Noticee no. 4*. The *Noticee no. 4* was the Dealer of the *Noticee no. 3*, who (*Noticee no. 3*) was in turn the Authorised Person of the Edelweiss Stock Broking Limited. Further, the *Noticee no. 4* was also an employee of a company named Pelican Portfolio Services Private Limited, in which *Noticee no. 2* was one of the Directors.

3. Based on the aforesaid factual revelation, a common show cause notice dated December 17, 2021 (hereinafter referred to as "**the SCN**"), came to be issued to the *Noticees* herein alleging that:

i. The *Noticee no. 1* has engaged in spoofing the order book by following a common trading pattern wherein first, orders containing a large number of shares were placed from 09:15 am to 10:00 am. Subsequently, small orders on the opposite side were placed at prices near the market prices which got executed by taking advantage of the market imbalance created due to large pending orders at a price substantially away from the market price which were cancelled eventually. The orders containing small quantities were executed while the large orders were pending in the system.

ii. By such a practice, the buy orders were spoofed by 4,22,47,023 quantities and sell orders by 3,12,49,377 quantities in 16 scrips over a period of 58 scrip days, which were in the range of 1% to 250% of the traded volume for the respective scrip on the relevant day (s). Further, in 26 scrip days out of 58 scrip days, the volume traded on the spoofing days increased by 6%-2880% from the previous day's volume.

iii. The spoofed orders were placed away from the existing market price and the variation from the market price was in the range of 6% to 28%.

iv. The spoofed orders were disclosed fully to the market and thereby created artificial demand (in case of buy orders) or artificial supply (in case of sell orders) as the said orders were never intended to be executed and subsequently got cancelled.

v. The order book was spoofed by 1% to 250% of the traded volume of the respective scrip by the said spoofing orders. Further, out of 58 scrip days, the *Noticee no. 1* has sold 90% of the days' total quantity during the spoofing period only.

vi. By executing trades in such a manner, the *Noticee no. 1* was able to make unlawful profits of INR 52.55 Lakh.

vii. The *Noticee no. 2* was the person authorised to place orders/trade on behalf of the *Noticee no. 1*. The *Noticee no. 2* along with *Noticee no. 3* are the partners of the *Noticee no. 1* and, being beneficiaries responsible for the acts and omissions on its part. Further, the *Noticee no. 3* was also the Authorised Person of the Stock Broker through whom the alleged trades were executed. The *Noticee no. 4,* apart from being a relative of the *Noticee no. 2* was also acting as a Dealer for the *Noticee no. 3* and has thus aided and abetted in spoofing the orders during the investigation period.

4. The above acts of dealing in securities through spoofing have been alleged in the SCN as violative of Section 12 A (a), (b), (c) of the SEBI Act, 1992 read with the Regulations 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) and 4 (2) (g) of the PFUTP Regulations, 2003 and the *Noticees* have been called upon to show cause as to why appropriate directions (including directions to jointly and severally disgorge the unlawful profit of INR 52.55 Lakh) be not passed and also to show cause as to why monetary penalty be not imposed on them for the contravention of the above noted provision of laws.

5. It is observed that the SCN was served upon the *Noticees* by way of a registered post and subsequently, a common reply dated March 11, 2022 was filed on behalf of *Noticee nos. 1, 2,* and *3* and a separate reply of even date was filed on behalf of the *Noticee no. 4*. The *Noticee nos. 1, 2* and *3*

requested for a personal hearing in the matter which was scheduled on October 11, 2022. On the said date, the common Authorised Representative for the *Noticee nos. 1, 2* and *3* appeared and presented his oral submissions, which was followed up by a written submission dated November 17, 2022.

6. The key arguments as advanced by the *Noticees* in their oral and written submissions are briefly stated hereunder:

I. Noticee nos. 1, 2 and 3

i. The investigation has been conducted by SEBI after 4 years and such lapse of time has severely affected the ability to respond to the SCN effectively.

ii. All decisions of trading related activities in the account of the *Noticee no. 1* are taken by the *Noticee no. 2* and the *Noticee no. 3* is not actively involved in the activities of the *Noticee no. 1*.

iii. The orders on behalf of the *Noticee no. 1* were placed after ensuring its capacity to complete such orders. No software technology/algorithm is deployed for trading activities of the *Noticee no. 1* therefore, restrictions placed for algo traders are not applicable to it.

iv. Different strategies like bulk trading, intra-day trading, BTST, STBT, trading for arbitrage, trading with limited losses etc., are deployed. In routine, large buy/sell orders are placed. During the investigation period, several large orders on both buy and sell sides were placed and trades were also executed on both sides. During the investigation period, the *Noticee no. 1* had carried out trades of value upto INR 17-18 Crore.

v. In order to place orders, different factors and combination thereof were used like global market scenarios, market sentiments, information from media, sectoral index, personal liquidity position, previous trades etc.

vi. It is understood that there are no prohibitions for placing any buy and sell order in the same scrip as long as the same are placed for the purposes of execution. Infact, the same is a legal trading strategy.

vii. All orders during the investigation period were placed with the intention to execute them and there is nothing unusual in placing simultaneous buy and sell orders in the same scrip. The SCN does not allege that the *Noticee no. 1* did not have the capacity to execute and honor the trades placed by it.

viii. The buy/sell orders are placed at a price lower/higher than the prevailing market price with a view that price will reduce/increase (as the case may be) due to various factors. However, all such orders are not actually executed and the balance unexecuted transactions are cancelled with an endeavour to utilise the margin to trade in other scrips.

ix. The *Noticees* do not understand the term spoofing as used in the SCN nor the said term has been defined under any of the regulations of SEBI. In absence of its definition, it cannot be ascertained as to which act would constitute spoofing.

x. The range given in the SCN of the price of the large orders and the traded volume is misleading due to the extremely large range of prices and volumes. The calculation of the range of traded volume to order is not given in the SCN.

xi. The transactions/orders alleged in the SCN were placed in the usual manner of trading by considering various factors, as aforesaid.

xii. The orders were placed with the expectation of execution, however, such orders were not executed in many cases as the price of the scrip did not rise/fall to match the price at which the orders were placed.

xiii. All the scrips were highly liquid and were part of the Indexes, and the quantities of the orders placed by the *Noticee no. 1* did not affect the prices of the respective scrips.

xiv. The cancellation and withdrawal of the orders were solely done as there was no possibility of matching such orders despite passing a substantial period and/or utilise the margins to place other orders. The cancellations were not done with any intention to manipulate the market prices.

xv. The orders were fully disclosed so that in case of matching of orders, the order placed by the *Noticee no. 1* gets priority. The disclosure of the full order indicates the intention of the *Noticee no. 1* to execute the order. A trader who does not wish to execute his order for the entire quantity would not disclose the order. Non-disclosure of the entire order provides more time and opportunity for the trader to cancel the order.

xvi. It is unjustified to examine the buy or sell orders of a particular day in a particular scrip in isolation. Further, the prevailing market conditions affecting the trades have been ignored during the investigation.

xvii. Due to various external factors which were affecting the price of the scrip during such 58 scrip days, the orders were placed on the opposite side of the market, out of which certain orders were withdrawn/cancelled. The investigation has ignored the reasoning provided by the *Noticee no. 1* explaining the reasoning of the placement of orders.

xviii. There is no evidence in the SCN to suggest any fraudulent intention behind the alleged trades. The orders of the *Noticee no. 1* were of low volume as compared to the liquidity and traded volumes in respective scrips and thus did not create any impact on the traded volume of the scrip.

xix. The volatility of prices of the scrip on the impugned trade days was very high and the pre-trade volatility on a weekly basis was also significantly high.

xx. The trading volume was not affected which can be noted from the following tabular information:

Table no. 1

Name of the scrip	Date of the impugned scrip day	Volume traded on Scrip day	Volume traded on previous day	Volume traded on Next day	Average Daily Volume of Trade (5 days)
UJJIVAN	18.07.2017	11,14,971	11,93,012	10,34,994	14,37,788
JAMNAAUTO	12.12.2017	30,46,762	33,51,975	36,58,941	41,64,018
NETWORK18	8.01.2018	1982746	20,09,593	11,92,390	24,09,438
DELTACORP	2.02.2018	31,59,054	33,77,701	35,92,757	32,53,321

xxi. The above data shows that the volume of trades on the impugned scrip days was more or less near the volume of the previous and next days. The nominal difference in such volumes could be due to market trends, specific events etc.

xxii. Despite large orders, the prices of the concerned scrips did not fluctuate.

xxiii. None of the trades were flagged by the Exchange or the broker as suspicious trades.

xxiv. The range of 1% to 250% of the trading volume is completely misleading and SEBI ought to have considered the median of the trading range. The instances where trading volume was on the higher side such as 250% of the trading value are aberrations and cannot be used to decide a pattern of trading.

xxv. The investigation period was from June 2017 to February 2018 and out of such 9 months, allegations have been made only for 16 scrips traded on 58 scrip days. The same shows that the rest of the trades were genuine trades.

xxvi. Other transactions of *Noticees* have not been considered by SEBI. For example, the *Noticee no. 1* had traded in the scrip of Camlinfine on 26 trading days but the investigation has picked up only 1 day's trades. The *Noticee no. 1* purchased 7 Lakh shares of Camlinfine on January 09, 2018 at a price of INR 1130.23 on NSE as part of a bulk deal from the promoters of Camlinfine. It was expected that the promoters of the said company will sell another lot of shares on January 15, 2018 and by virtue of such selling within a week itself, the prices of the shares were expected to fall.

xxvii. The buy orders for a large number of shares of Camlinfine were thus placed at various prices between 09:22 am to 09:30 am. However, as the bulk deal did not happen, the *Noticee no. 2* after considering various factors, started cancelling the orders from 01:28 pm. As it was still expected that the bulk deal may happen, all buy orders were not cancelled in one go and the same were cancelled between 01:28 pm to 03:17 pm.

xxviii. Further trades in the said scrip were executed on November 29, 2017 wherein buy orders were placed in the said scrip after taking into account the prevailing market trends. As the buy orders were pending, certain sell orders were also placed. Though the sell orders got executed, the buy orders remained pending and were cancelled. In the said transaction, a loss of INR 60,000 (approx.) was faced by the *Noticee no. 1*. Similarly, in other scrips like Deltacorp, TNPL etc., losses have been incurred by the *Noticee no. 1*. The orders placed on the opposite sides of the market which were similar to those referred in the SCN as spoofing orders have resulted in a loss of INR 56 Lakh (approx.). The same show that the alleged practice was not followed for making any unlawful gains.

xxix. The SCN has ignored the fact that a few scrips such as Escorts Limited, Ujjivan and McDowell are also being traded in F&O segments. Merely placing orders in cash segment does not lead to any price change of such stocks which are also being traded in F&O segments.

xxx. The allegation that large orders were placed without the intention of execution is false as in many cases, the *Noticee no. 1* has executed trades on the same side of large orders, details of which are as follows:

Table no. 2

Sr. No.	Name of the scrip	Days
1.	Ujjivan- Ujjivan Financial Services Limited	October 11, 2017, July 13, 2017, July 14, 2017, July 18, 2017, September 01, 2017, September 06, 2017, September 08, 2017, January 12, 2018, January 15, 2018, February 14, 2018
2.	Network 18- Network 18 Media & Investment Limited	January 08, 018, January 09, 2018
3.	JamnaAuto- Jamna Auto Industries Limited	December 14, 2017, January 24, 2018
4.	TNPL- Tamil Nadu Newsprint & Papers Limited	November 28, 2017, December 15, 2017
5.	RadicoKhaitan Limited	December 05, 2017, December 11, 2017, January 31, 2018, February 01, 2018, February 06, 2018
6.	Camlin Fine Sciences Limited	January 15, 2018
7.	BLS International Services Limited	August 14, 2017
8.	Coffee Day Enterprises Limited	December 11, 2017
9.	Hatsun Agro Products Limited	November 15, 2017

xxxi. Further, in many cases, the orders placed by the *Noticee no. 1* were not cancelled but the same were cancelled by the Stock Exchange upon closing of the market hours.

xxxii. Insofar as the allegation of placing orders far away from market price is concerned, it is stated that the orders were placed usually around the last traded prices within the circuit limits of the scrips. If the price movement of the respective days is considered, it will show that the orders possessed a distinct possibility of execution.

xxxiii. The order prices were decided with an expectation that the trading prices will touch those levels. However, as the trading prices did not reach such levels, the pending orders were cancelled.

xxxiv. The allegation that orders containing large number of trades were placed is vague as the expression large number is vague.

xxxv. The SCN alleges that Order Book was spoofed, however, it does not give details of the total Order Book of the day nor it takes into account the total Order book of previous days.

xxxvi. On most of the occasions, the alleged Orders remained active for more than 3-4 hours and the said fact shows that the there was an intention to execute the orders.

xxxvii. There is no evidence to show that the orders of the *Noticee no. 1* created any kind of market imbalance. The SCN does not indicate as to how the *Noticee no. 1* took advantage of the alleged market imbalance.

xxxviii. The buy/sell orders of the *Noticee no. 1* needs to be compared to the total buy/sell orders in a particular scrip and should not be compared with the total traded volume. For example, the orders in the scrip of SQS India on August 23, 2017 were placed by the *Noticee no. 1* as it was noticed that there is an increase in Order Book as well as the traded volume.

xxxix. The trades carried out by the *Noticee no. 1* were *bonafide* therefore the profits cannot be termed as unlawful. Further, the formula used to calculate the profits is also disputed. The difference between average buy price and average sell price or vice versa has no relevance as it is not the case of SEBI that the Order Book was spoofed by the *Noticee no. 1* for the entire duration of the day.

xl. There is no allegation that the price of the scrip was spoofed. Therefore, the calculation has to be carried out by the price fluctuation during which the alleged spoofing took place. However, as stated earlier, in several instances where buy as well sell orders were placed in the same scrip, the *Noticee no. 1* had faced loss of INR 51 Lakh (approx.).

xli. Without prejudice to the submissions, the orders cancelled by the Stock Exchanges need to be removed from the profit calculation.

xlii. Out of the 58 impugned scrip days, in as many as 30 scrip days, the Orders placed by the *Noticee no. 1* were not immediately cancelled or modified and they remained pending in the market for substantial period of time. For illustration, on August 14, 2017, buy order for the scrip of BLS International Services Limited were placed at 09:49 AM, however, the said order remained unexecuted till 02:00 PM and accordingly, the said order was cancelled at 02:22 PM. A scrip wise details of all orders that were cancelled has been provided along with the orders which got cancelled by the Stock Exchange.

xliii. The cancellation of orders per se cannot be termed as spoofing of the order book unless the orders were placed with the intention of cancelling them. The above quoted example indicate that orders pending for long term were cancelled and were not cancelled immediately.

xliv. In terms of the definition of spoofing as defined in other jurisdictions, the key ingredient of spoofing is cancellation of large orders after trading on other side. However, majority of the orders of the *Noticee no. 1* were cancelled by the exchange after the closure of the market hours and the said orders cannot be classified as spoofing orders. A list of such orders as cancelled by the Stock Exchange on 29 days out of 58 scrip days has been furnished.

xlv. There are no allegations that the *Noticee no. 1* had indulged in repeated cancellation, modification and replacement of orders in high volumes.

xlvi. There is no allegation/proof of fraud or deceit or misrepresentation/omission nor there is any allegation of intention to defraud on the *Noticees.*

xlvii. Any imbalance in the price of the scrip as alleged in the SCN ought to have been captured in the SCN itself, however, there is no such evidence adduced in the SCN.

xlviii. SEBI has issued a Circular dated March 26, 2021, with the title "Order based Surveillance Method-Persistent Noise Creators" to curb excessive order modification/cancellation. The said Circular lays down several parameters such as High order to Trade ratio, higher percentage of order modification etc., so as to recognise such excessive order modification.

xlix. The investigation has failed to analyse such concepts mentioned in the said Circular. Further, the said Circular specifies that only after 20 or more instances, the Exchange could disable the account of the trader temporarily for the period which would depend upon the repetition of acts.

l. The SCN has failed to take into account events/news on the particular day or the facts specific to the scrips. The *Noticees* have provided their explanation which are based on events such as bulk trades, quarterly reports of companies, news impacting the economy etc., however such explanations have been ignored.

li. The large orders were placed substantially away from the market price and were not displayed on the trading terminal showing top best buy/sell orders.

lii. The SCN merely presumes that the larger orders were not genuine.

II. **Noticee no. 4**

i. All the orders on behalf of the *Noticee no. 1* were placed on the securities market platform by the *Noticee no. 4* on the instructions of the *Noticee no. 2*.

ii. He cannot be alleged to have aided the other *Noticees* for the transactions mentioned in the SCN nor any unlawful gain accrued to him from the said transactions.

7. Before I proceed to appropriately deal with the replies/submissions of the *Noticees,* I find it worthwhile to recall here the charges of statutory violations that have been levelled against the *Noticees*. It has been alleged in the SCN that the *Noticees* have violated the provisions of Section 12A (a), (b), (c) of the SEBI Act, 1992 and Regulations 3(a), (b), (c), (d) and 4(1), 4(2)(a) and (g) of the PFUTP Regulations, 2003. In order to appreciate the charges levelled against the *Noticees*, it would be apposite to refer to the above-stated relevant provisions of the SEBI Act, 1992 and the PFUTP Regulations, 2003 which have a bearing on the allegations made against the *Noticees*. These relevant provisions are reproduced hereunder for facility of easy reference:

SEBI Act, 1992

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

Section 12A.No person shall directly or indirectly—

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b)employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c)engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder.

PFUTP Regulations, 2003

Regulation 3. Prohibition of certain dealings in securities

"No person shall directly or indirectly –

(a) buy, sell or otherwise deal in the 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 theprovisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

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

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

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

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:-

(a) any act or omission amounting to manipulation of the price of a security;

…

(g) entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security;

8. It is noted that a preliminary objection has been taken on behalf of the *Noticee nos. 1* to *3* by stating that the investigation has been conducted by SEBI after a passage of 4 years of the alleged trades and thus the same has hampered the ability of the *Noticees* to effectively answer the allegations. In this connection, it is noted that in this case the triggering point for investigation was a report dated May 22, 2018 of the National Stock Exchange, pertaining to the suspicious trading activities of the *Noticee no. 1* for the period of July 01, 2017 to February 28, 2018. Pursuant to the receipt of the same, a preliminary examination was undertaken by SEBI and eventually, an investigating Authority was appointed in the matter on January 06, 2021 and the investigation for

the trading activities of the *Noticee no. 1* for the period of July 01, 2017 to February 28, 2018 was undertaken. With an objective to arrive at concrete fact findings, various steps were taken during the investigation which included analysis of the order log and the trade log, analysis of the information received from the concerned stock broker, interaction with the officials of the stock exchange, examination of social media, records from the Ministry of Corporate Affairs etc. It is also noted from the records that certain technological tools such as "Market Replay", available to the investigating team of SEBI were also utilised so as to assess the impact of the transactions of the *Noticee no. 1* on the Order book. Besides, in the course of the investigation, the statements of *Noticee no. 2* (Mr. Dilip Vora) and *Noticee no. 4* (Mr. Rohit Chheda) were also recorded on September 21, 2021. After carefully analysing all the information, data metrics, statements etc., the investigation in the present matter was concluded in September, 2021 and pursuant thereto, the present SCN was issued on December 17, 2021. I may hasten to add here that due to Covid-19 Pandemic, the nation had faced Lockdown first, during March, 2020 and again during May 2021. In view of the self-speaking facts which indicate calling of information during the investigation from various entities like stock exchanges, *Noticees* etc., and meticulous analysis of such information so to initiate an enforcement action, there does not appear to be any delay in the present proceedings. I also observe that except for making a bald assertion, nothing has been demonstrated to show any prejudice whatsoever to have been caused to the *Noticees* that could be considered as constraining factor in defending the allegation. It is also observed that a detailed reply to the insinuations have already been filed in the present matter and in the said reply, nothing has been stated with reason and supportive evidence to suggest as to how the delay, if any, has rendered them incapacitated in setting out a proper and effective reply. Hence I find no merit in the above submission of the *Noticees* who have sought exoneration on a frivolous ground of delay which has no merit at all.

9. At this stage, I refer to the following orders of the Hon'ble Securities Appellate Tribunal:

i. *Bipin R Vora vs SEBI (date of decision: March 22, 2006).* In the said order, the Hon'ble Tribunal has observed that the investigation of SEBI is a time consuming process and rejected the plea of delay by holding as: "*As regards the plea of delay and latches and submission that the show cause notice is barred by limitation, I do not find any merit in these contentions as the time and efforts involved in an investigation though may vary from case to case, generally investigations per-se is a time consuming process which invariably involve collection, scrutiny and careful examination of voluminous records/ order-trade details of all the concerned including the exchanges/recording of statements etc. and therefore no time limit can be fixed in this regard to enable a regulator to take appropriate disciplinary action for the safeguard and improvement of the system/market*".

ii. P*ooja Vinay Jain vs SEBI (Appeal No. 152 of 2019 decided on March 17, 2020):* In the said order, while dealing with a similar argument of delay, the Hon'ble Tribunal has *inter alia* held as: "*The record would show that all the documents concerning the defense of the appellant were filed by her before the AO. Therefore, for want of any prejudice the proceedings cannot be quashed simply on the ground of delay in launching the same*".

iii. *Shiv Kumar Agarwal Vs. SEBI (Appeal no. 203 of 2019 decided on November 16, 2022).* The Hon'ble Tribunal while rejecting the plea of delay has *inter alia* observed as: "*20. The appellants generally pleaded that there was inordinate delay in initiation of the proceedings against them. The record shows that within a period of less than six years from the date of the transactions, proceedings were initiated. Further, no definite prejudice is shown by any of the appellants which according to them might have caused due to the delay in initiation of the proceedings*." (underline supplied)

10. Applying the ratio of aforesaid cases to the present case, I observe that firstly, for the detailed reasons stated earlier, the investigation in the present case required time to arrive at a concrete report; and secondly, no prejudice has been caused to the *Noticees,* thereby rendering the plea of delay to be a mere technical objection.

11. In addition to the above it is also noted that no provision under the SEBI Act, 1992 or the PFUTP Regulations, 2003 prescribes any specific time limit for the proceedings under the securities laws. Moreover, whether or not, delay in any particular case is fatal to the said case would depend on the peculiarity of the conspectus of the facts of such case only, as held by the Hon'ble Securities Appellate Tribunal in the matter of *Ravi Mohan &Ors. v. SEBI (SAT Appeal No. 97 of 2014 decided on December 16, 2015).* In exact words, the Hon'ble Tribunal has observed as:

"...................Based on decision of this Tribunal in case of HB Stockholdings Ltd. vs. SEBI (Appeal no. 114 of 2012 decided on 27.08.2013) it is contended on behalf of the appellants that in view of the delay of more than 8 years in issuing the show cause notice, the impugned order is liable to be quashed and set aside. There is no merit in this contention, because, this Tribunal while setting aside the decision of SEBI on merits has clearly held in para 20 of the order, that delay itself may not be fatal in each and every case. Moreover, the Apex Court in case of Collector of Central Excise, New Delhi vs. Bhagsons Paint Industry (India) reported in 2003 (158) ELT 129 (S.C) has held that if there no statutory bar for adjudicating the matter beyond a particular date, the Tribunal cannot set aside the adjudication order merely on the ground that the adjudication order is passed after a lapse of several years from the date of issuing notice................."

12. Therefore, in view of the aforesaid findings on the facts of the present case, the applicable law and the jurisprudence thereto, I observe that the contention of the *Noticees* pertaining to delay is sans merit and is thus rejected.

13. Moving on to the merits of the present case, I observe that in order to adjudge the charges levelled in the SCN, I need to answer the following issues:

i. *Whether the practice followed by the Noticee no. 1 by placing large buy/sell orders at prices far away from the market price; followed by placing of comparatively small sell/buy orders (opposite directions of the earlier orders) at prices near to the market price and eventually cancelling the first leg of large buy/sell orders,* is *in violation of the alleged provisions of PFUTP Regulations?*

ii. *If the answer to the first issue is in affirmative, what is the culpability of the Noticee no. 2, 3 and 4 with respect to the said acts on part of the Noticee no. 1?*

14. Before I embark on to find the answer to the aforesaid issues, it is deemed fit to first discuss in brief the background about the market operations relevant for the present case.

15. It is noted that in the order book that is visible on the market platform, during the trading hours, the best five orders on both buy and sell sides and their respective volumes are displayed. The best buy orders are those which offer the highest prices for the shares (shown in descending orders on the screen) and the best sale orders are those wherein the lowest prices at which shares are being offered to be sold are visible for a trader. Apart from the said orders, the Order book also reveals the total market depth by displaying the total number of shares being offered to be purchased (mentioned as Buy quantity) and also the total number of shares offered for sale (mentioned as Sell quantity) at any given point of time during the trading hours.

16. To illustrate, the order book of the scrip of Escorts as extracted from the website of NSE (22/02/2023 at 11:08 am), looked like the following:

Order Book

Qty	Bid (₹)	Ask (₹)	Qty
482	2,118.00	2,118.80	12
1	2,117.65	2,119.00	70
3	2,117.60	2,119.05	1
6	2,117.50	2,119.10	3
14	2,117.45	2,119.15	1

Buy Quantity	Sell Quantity
71,805	*45,361*

17. As can be noted from the afore cited order book of the scrip of Escorts, the best buy order is for 482 shares at the price of INR 2,118.00 and the best sell order is for 12 shares at 2,118.80. The total quantity for which buy orders are available in the system is 71,805 and the total sell quantity is 45,631.

18. In this connection, it is also noted that as per the norms laid down by the Stock Exchanges, a trader is free to disclose only a percentage of its total order which should not be less than 10% of the total order quantity, or to say that either the full quantity is to be disclosed or a partial quantity which should not be less than 10% of the total quantity can be disclosed. After the disclosed quantity of shares gets converted into trades, another quantity of shares from the same order to the extent of 10% of the total ordered quantity becomes visible on the Order book. To explain it with an example, a buyer who wishes to buy 100 shares of Escorts at the price of 2118 may disclose only an order of 10 shares to the market. In such a scenario, only a buy order of 10 shares at 2118 will be disclosed to the market and the Order book will reflect demand of 492 shares (after addition of 10 shares) at the price of INR 2,118.00. Similarly, the complete order quantity of the shares at buy side will increase from 71,815 (addition of 10 shares only being the disclosed quantity). The rest of the buy orders will come to the system once the order for the disclosed quantity gets executed into a trade.

19. Based on the aforesaid market mechanism, I observe that the price discovery of any scrip is achieved through the basic principle of demand and supply of a particular scrip at a given point of trading hours as the orders for any scrip match on price time priority before resulting in trades. It may also be of pertinence to mention for the present proceedings, that the total market depth which is reflected by the total demand as well as the total supply of the shares at a particular time, are other important factors based on which the investors take their decision to trade.

20. Reverting back to the facts of the present case, it is noted from the SCN that it has illustrated a trading example of the trades executed by the *Noticee no. 1* on August 23, 2017 in the scrip of SQS India BFSI Limited (**SQSBFSI**), which are depicted in the following tabular format:

Table no. 3

Nature of spoofing	Time slot	No. of orders	Total quantity	% diff in LTP and Order Rate	Time slots of trade on the opposite side	Actual Quantity traded on the opposite side	Cancel time slot	Cancelled quantity	Order Fully disclosed/partially disclosed
Sell Order	9:33:17 AM	1	10000	20	09:48:40-11:39:31	15783	11:50:51 - 11:50:53	45000	Fully Disclosed
Sell order	11:00:21 AM	1	20000	19					
Sell order	11:39:34 AM	1	15000	18					
Buy Order	02:47:37 PM	1	10000	14	02:53:24-03:28:52	5779	4:07:02	10000	Fully disclosed

21. The aforesaid table reflects the following pattern of trading executed by the *Noticee no. 1* in the said scrip:

i. Three different sell orders in the scrip of SQSBFSI were placed by the *Noticee no. 1* during the period of 9:33:17AM -11:39:34 AM. The said orders were placed for a cumulative quantity of 45,000 (10,000; 20,000; and 15,000). The pricing of the said orders was kept by the *Noticee no. 1* above 18%-20% of the existing market price/last traded price. Therefore, in order to execute the said orders, the price of the scrip was required to move upward by at least 18%, which means, the said orders will remain pending in the system till the price of the scrip moves upwards by 18%.

ii. Even when the aforesaid sell orders containing total quantity of 45,000 shares was pending in the system, the *Noticee no. 1* bought 15783 shares of the same scrip between the period of 9:48:40 am to 11:39:31am and the sell orders of 45,000 shares were cancelled immediately thereafter, i.e., during 11:50:51 am -11:50:53 am. The quantity of 15783 shares was 74% of the total buys quantity of the *Noticee no. 1* during the said day.

iii. On the said day, at 02:47:37 pm another buy order of 10,000 shares was placed by the *Noticee no. 1* at a price which was 14% less than the last trade price while the said order was pending in the system, another set of 5,779 shares of SQSBFSI were sold by the *Noticee no. 1* during 2:53:24 pm to 03:28:52 pm. Subsequently, the buy order of 10,000 shares was cancelled at 04:07:02 pm.

22. In addition to the above, I find it apt to refer to another illustration wherein the *Noticee no. 1* had placed large quantities of buy orders and eventually executed sell orders and cancelled the buy order placed earlier. The records before me indicate *inter alia,* the following trading activity carried out by the *Noticee no. 1* in the scrip of IPCA Laboratories Limited on October 04, 2017:

Table no. 4

Sr. No.	Nature of spoofing	Time slot	No. of orders	Total quantity	% diff in LTP and Order Rate	Time slots of trade on the opposite side	Actual Quantity traded on the opposite side	Cancellation time slot	Cancelled quantity	Order Fully disclosed/partially disclosed
	Buy Order	12:43:52 - 12:59:13	3	250000	26-28	12:59:42-01:24:46	6290	01:24:51-01:24:55	250000	Full Disclosed
	Sell Order	01:56:24-01:56:27	2	140000	8	02:01:38-02:02:11	5000	02:15:36	140000	Full disclosed

	Sell Order	02:32:55-02:32:57	2	140000	8	02:32:58-02:36:28	3927	02:37:24-02:37:25	140000	Full Disclosed
	Buy Order	02:37:38-02:37:42	2	150000	27	02:41:32-02:44:57	4272	04:08:31	150000	Full Disclosed

23. It is noted that the trading pattern of the *Noticee no. 1* as depicted in the aforesaid table is identical to what it had followed in the scrip of SQSBFSI, with the only difference being the fact that for the scrip of IPCA Lab, the *Noticee no. 1* had placed buy orders of large quantities whereas in reality, it executed sell orders for small quantities and cancelled the buy order placed earlier. The point that needs to be highlighted in the aforesaid illustration of trading pattern of *Noticee no. 1* is the total amount involved in the buy orders placed earlier and subsequently cancelled.

24. It is noted from the records that the buy orders for 2.5 Lakh shares of IPCA Lab were placed by the *Noticee no. 1* at the rate of INR 395. These large buy orders for 2.5 Lakh shares of IPCA Lab itself would be sufficient to call the bluff of the *Noticee no. 1* who has claimed in its submission that: (a) the orders were placed by the *Noticee no. 2* (Partner of *Noticee no.1*) who is a seasoned trader of securities market having more than 10 years' of experience; (b) the orders were placed within the financial capacity of the *Noticee no. 1* and the orders were placed with the intent to execute the same. The reasons for my aforesaid contention can be understood from the following points:

I. A simple back on the envelope calculation would show that the total amount involved in the buy trades of 2.5 Lakh shares of IPCA Lab at a price of INR 395 per share was around 10 Crore. At this stage, my attention gets drawn to the submissions made on behalf of the *Noticee no. 1* during the course of investigation, which indicates the Annual income and profits of the *Noticee no. 1* during the relevant period as follows:

Table no. 5

Sr. No.	Particulars (in INR Lakh)	March 2017	March 2018
I.	Total Income	32.60	238.20
II.	Total Expenditure	31.79	229.01
III.	Profit/(loss) before exceptional item	0.81	9.20
IV.	Exceptional Item	-	-
V.	Net Profit before tax	0.81	9.20

II. One can easily notice that the buy order of 2.5 Lakh shares of IPCA Lab was clearly beyond the financial means and capacity of the *Noticee no. 1*. Infact, the said exposure that the *Noticee no. 1* proposed to take was 1200 times of its net profits for the last financial year (INR 81,000) and 100 times of the net profits of the ongoing year (INR 9.20 Lakh) in which the said order was placed.

III. I must observe here that the said scrip was also included in Futures and Options segments, meaning thereby, that such a large exposure could have also been taken by the *Noticee no. 1* by taking a long position in the Futures and Options segments. By taking a position in Futures and Options, not only a limited margin of the *Noticee no .1* would have been utilised, but also would have given it a larger time frame to square off its position, as the instruments traded in Futures and Options have longer validity period. However, the *Noticee no. 1* placed buy order of shares of IPCA containing such a large quantity in cash segment which if executed would have made the *Noticee no. 1* liable to pay out INR 10 Crore within two days of the transaction, which was clearly not within the financial ability of *Noticee no. 1*. It may also be added here that the said order was placed at a time of 12:43 pm to 12:59 pm, i.e., only two and a half hours before the market closure time of 03:30 pm. Presuming that the said buy trade would have got executed, the *Noticee no. 1* had limited time to square off his position (by selling those shares on the same day) as it did not carry the financial wherewithal to pay for the delivery of those shares amounting to be INR 10 Crore.

IV. Thus, in view of the aforesaid observations, which are based on the factual position of the above trade order placed by the *Noticee no. 1*, I find there is no strength whatsoever in the aforesaid arguments of the *Noticees* which seek to project the said abnormal trading pattern adopted by the *Noticee no. 1* to be a normal securities market transactions ordinarily seen in the market. On the contrary, the *Noticee* has exhibited an abnormal trading pattern by placing such high value orders that neither matches with the financial capacity of the *Noticee no. 1* nor the same have been executed in a segment (Futures and Options) which is appropriate for taking such speculative positions, away from the normal market price.

V. I may hasten to add here that the aforesaid illustration of high value order placed by the *Noticee no. 1* is not an isolated example as the *Noticee* is seen to have placed similar orders on multiple other occasions, like on November 14, 2017, when it had placed buy orders of 3400000 shares (34 Lakh) of Marksans Pharma Limited at a price of INR 34 thereby making a bid for shares worth INR 11.5 Crore at one go.

25. It is recalled here that the SCN alleges that the aforesaid pattern of order placement/trading has been followed by the *Noticee no. 1* on as many as 58 scrip days[1] in 16 different scrips. Therefore, it would be appropriate that pleas taken by the *Noticees* are evaluated in the backdrop of the illustrations quoted above.

26. Insofar as cancellation of the large orders is concerned, it has been contended before me that the same was done as there was no possibility of execution of such order and the *Noticee* wanted to utilise the margin money elsewhere. When I consider the said submission, I find that the cancellation of the orders of large quantities of shares find a closer proximity in time to the execution of the trades on the other side containing smaller quantities. My aforesaid findings are supported by the following data points as collated for illustration purpose, from the records of the present matter pertaining to few of the other scrips in which trades were executed by the *Noticee no. 1*:

Table no. 6

Sr. No.	Scrip name	Date	Order timing of large order	Trade timing of small order on other side	Time of cancellation of large orders	Difference in trade of small quantity and starting of cancellation of large orders
(A)	(B)	(C)	(D)	(E)	(F)	(G)= (F)-(E)
1.	IPCA Lab	27/10/2017	11:44:04-11:52:12 am	11:44:23 am-12:00:15 pm	12:00:25-12:00:29 pm	10 seconds.
2.	Ujjivan Financial Services Limited	18/07/2017	9:29:52-9:30:09 am	09:37:13-9:40:26 am	9:44:28-9:44:30 am	4 minutes 2 seconds
3.	-do-	12/09/2017	9:06:34-9:19:30 am	09:19:47-9:38:31 am	9:38:46-9:59:43 am	15 seconds
4.	Marksans	14/11/2017	9:15:42-9:17:51 am	09:38:34-9:39:12 am	09:39:33-9:39:41 am	21 seconds

[1] *Scrip days: A combination of a particular trade date/day and a particular share / scrip is considered as one Scrip Day. For instance, if a trader trades in 6 unique scrips in a single day, he is considered as having traded in 6 Scrip Days.*

	Pharma Limited					

27. From an analysis of data as captured in the table above, it can be noted that the time difference in execution of small orders and cancellation of large orders were having a difference of only a few seconds. This factual revelation itself manifests the underlying *modus operandi* that was being frequently used as a matter of trade practice in the trading activities of the *Noticee no.1*. I am constrained to observe that the miniscule difference of timing in cancellation of large orders vis-a-vis the execution of the small orders which sometimes was as less as 10 seconds, is evident of the fact that the cancellation of orders of large quantity got triggered only due to and after the execution of small orders. The aforesaid finding also refutes the claim of the *Noticees* that orders were cancelled as there was no scope of their execution and establishes such a plea as a merely specious claim. Further, the timings of placement of large orders (Column D) and timing of cancellation of the same (Column F) in the aforesaid table indicate that time lapse between the two activities was hardly between 8-21 minutes. It is difficult to comprehend as to what development took place or what transpired in the market platform which led the *Noticee no. 1* to believe that the order placed 8 minutes before would not be executed and finally compelled him to cancel such orders. As observed above, the cancellation of the orders was found to be completely contingent upon the execution of the small orders on the other side, and no other macro or micro factor could be ascertained behind such cancellation. It is also worthwhile to reiterate that the aforesaid practice is not a singular event which may be ignored but has been repeatedly followed in the trading behaviour of the *Noticee no. 1* in 58 scrip days. Further, the absence of any plausible explanation to the contrary constrains me to observe that the afore-noted trading pattern strongly suggest that the *Noticee no. 1* had no genuine intent to trade in the securities, since after taking a large position, within a few minutes it used to take an exactly contra position and that too for smaller quantities. In the process, in majority of the instances, it remained satisfied with its orders of smaller quantities, though the first order placed was for bigger quantities. The reasons advanced for justifying such peculiar trading strategy by *Noticee no. 1* are not supported by any concrete evidence or any tangible explanation.

28. I note from the reply of the *Noticees* that an example in the cancellation of order in the scrip of BLS International Services Limited (**BLSISL**) has been cited to contend that in as many as 30 scrip days, the orders placed on behalf of the *Noticee no. 1* were not immediately cancelled and the same remained pending in the market for more than 4 hours. I have carefully considered the said contention, however, when I confront the same with the information captured in Annexure 2 of the SCN (containing details of all alleged trades), I find that the said examples are

rather going against the *Noticee.* It is noted that in the scrip of BLSISL, vide its three separate orders placed between 09:49:28 am to 09:59:28 am, buy orders for a cumulative quantity of 4 Lakh shares was placed by the *Noticee no. 1*, however, the said orders were cancelled during 02:22:19 -02:39:02 pm. I however note from the Annexure 2 that before the afore cited cancellation of the orders started from 02:22:19 pm, the *Noticee no. 1* had already successfully sold 26,703 shares between 09:51:47 am to 01:42:06 pm. As has already been noted in the previous paragraph, here also the triggering point to cancel the above stated large order indeed was the execution of a sell order for a relatively smaller quantity, *albeit* on the other side of the large order so placed. Therefore, the fort of defence sought to be created by citing the fact that the large order placed by the *Noticee* remained pending in the trading system for four hours, is nothing but a misplaced afterthought explanation to create a smokescreen of genuine trading practice, which deserves to be rejected for the observations cited above.

29. Another important feature noted in the trading behaviour of the *Noticee no. 1* as noted from the SCN is that each of the large orders placed by it which were eventually cancelled by the *Noticee no. 1* was deliberately fully disclosed in the Order book. In other words, the total demand or supply of the said orders in the relevant scrips which were placed by the *Noticee no. 1* with prices way beyond the market price, was completely disclosed in the order book of those specific scrips when those large outlier orders were placed by the *Noticee no. 1*. I may note here that the mechanism of disclosing only partial quantity out of a given order has been provided to the market participants so that the introduction of large quantities of orders at one go does not disrupt the market price which may adversely impact the interest of the trading entity itself. Such a facility has been provided so that a trading entity intending to place a large quantity order can protect its interest against adverse price movement of the scrip due to its own order for a large quantity. For example, if an investor wishes to buy 1 Lakh shares of Escorts Limited and he discloses the complete quantity of its order, the market depth in the order book will show a huge demand which may lead to increase in its price. Therefore, an option is available to the trading entity to disclose only 10% of its order and as and when the said part order gets executed, the remaining order gets automatically added (in fractions) to the market depth of the order book.

30. In the present case, the SCN alleges that in all the large quantity orders initially placed and that were eventually cancelled by the *Noticee no. 1*, the full quantity involved in each of those large orders was disclosed to the market platform from the very beginning itself. It defies the basic business prudence for a person like the *Noticee no. 2* (partner of *Noticee no. 1* who was placing orders on its behalf) who claims to be a seasoned investor in the securities market and yet, used to disclose the complete order quantity in all such orders despite availability of the aforesaid mechanism on the exchange platform to offer partial disclosure. I have already noted that the *Noticee no. 1* was placing orders of large quantities of shares running into even lakhs, however, in none of these large

orders, the *Noticee no. 1* ever chose to disclose the partial quantity of the shares. There is nothing substantive advanced by the *Noticee no. 1* to justify as to why orders for such large quantities of shares were placed in the first place when it had no intent to execute those large orders as the records demonstrate that after placement of such large quantity orders, another order for small quantity was being placed and executed as well and further, immediately after execution of the said orders placed for small quantities, the orders placed for big quantities were being routinely cancelled as a matter of a pre-conceived trading strategy.

31. The other interesting fact that emerges from the order logs of the respective scrips is that while executing the trades involving relatively smaller quantities in those scrips for which large quantity orders were already placed earlier in opposite direction, the *Noticee no. 1* has chosen to avail the aforesaid facility to disclose only partial quantities of shares. For illustration, for the buy trades executed in the scrip of SQSBFSI on August 23, 2017, an order of 1000 shares was placed at 09:33:43 am at a price of INR 410.05; however, the disclosed quantity for the said order was only 10%, i.e., 100 shares. The said details contradict the submission made by *Noticee no. 1* that the quantities of large orders were being disclosed by it to the market so that the order of the *Noticee* gets priority and to indicate its intention to execute the complete order. However, I find it very uncanny while the large orders were being fully disclosed, at the same time, the smaller orders were disclosed partially showing a glaring inconsistent trading behaviour on the part of *Noticee no. 1*. Thus, the explanation that a complete disclosure of the large quantity orders would give priority to the orders of trader for execution is a claim that is in stark contradiction to its own conduct exhibited by it on the other side of its trades. I may add here that the fact that there is nothing in the explanations to demonstrate that the *Noticee no. 1* was ever been able to execute such large orders while placing small orders on the opposite side, and in the absence of any evidence put forth by the *Noticees* to substantiate its contentions which turns out to be empty claim, the charges made in the SCN get further strengthened against the *Noticees*.

32. I further observe that the order placement/cancellation pattern followed by the *Noticee no. 1* on August 23, 2017 in the scrip of SQSBFSI seems to be completely unique to be termed as a *bonafide* trading pattern. As can be seen from the Table no. 3, sell orders for a total quantity of 45,000 shares of SQSBFSI were placed by it during 9:33:17 -11:39:34 am. However, the *Noticee no. 1* ended up in "buying" 15783 shares between 09:48:40-11:39:31. The reason behind such a result is that the sell orders for 45,000 shares were far away from the market price, whereas the buy orders were placed near to existing market price thereby making them successful trades for 15783 shares. After a few hours, i.e., at 02:47:37 pm, a large buy order of 10,000 shares was placed, however showing the same unusual streak, the *Noticee no. 1* ended up in selling 5779 shares during 02:53:24 pm to 03:28:52 pm. Thus, the aforesaid details clearly show that whatever trading stand the *Noticee no. 1* actually wanted to achieve in a particular scrip, it first took a position on the other

side and said act proved as a catalyst for its ulterior motives. Under the circumstances, I am of the firm view that the strategy of deliberately disclosing the complete quantity of shares in the large orders being placed by the *Noticee no. 1* was clearly a mirage of fake demand or supply of shares, as the case may be which was created by the *Noticee no. 1,* so as to successfully execute a trade in the opposite side as per its hidden ulterior motive with respect to those scrips.

33. It has also been submitted by the *Noticee no. 1* that the orders placed by it were of low volume as compared to the liquidity and traded volumes already available in the respective scrips. In this regard, the *Noticees* have also cited details of volume of 4 trading days so as to contend that the volumes in a few scrips were broadly in the same range during the alleged trading done by the *Noticee no. 1* on its trading day and 1 day after as well as 1 day prior. Insofar as the said contention is concerned, it is noted that even if the said 4 trading days as cited by the *Noticees* are discounted or disregarded with respect to the increase in the trading volume, the following 26 instances [2] wherein the increase in volume can be glaringly witnessed in the range of 6% to 2880% cannot be ignored:

Table no. 7

Sr. No.	Name of the Scrip	Scrip days	Volume traded on Prior date	Volume traded on Spoofing date	Increase in volume	% increase in Volume
1.	TNPL	08/09/2017	374259	712091	337832	90.27
2.	TNPL	15/12/2017	384045	815081	431036	112.24
3.	Marksans	09/10/2017	7450961	18375088	10924127	146.61
4.	Marksans	13/11/2017	5562312	30362787	24800475	445.87
5.	Marksans	14/11/2017	5562312	11202403	5640091	101.40
6.	Radico	05/12/2017	1896449	4524678	2628229	138.59
7.	Radico	11/12/2017	2122983	3085372	962389	45.33
8.	Radico	13/12/2017	2003512	1839662	-163850	-8.18
9.	Radico	15/12/2017	801560	855851	54291	6.77
10.	Radico	31/01/2018	2124227	2410426	286199	13.47
11.	Jamna auto	24/01/2018	1691902	3563092	1871190	110.60
12.	Mcdowell-N	24/01/2018	714156	2641957	1927801	269.94

[2] *All these data are available in public domain on the respective websites of the stock exchanges*

13.	Escorts	11/08/2017	1993930	4423523	2429593	121.85
14.	Kaya	17/10/2017	7731	230455	222724	2880.92
15.	IPCALAB	04/10/2017	134110	2019126	1885016	1405.57
16.	IPCALAB	27/10/2017	174795	700639	525844	300.83
17.	Ujjivan	11/07/2017	414955	1840906	1425951	343.64
18.	Ujjivan	13/07/2017	4619803	8396025	3776222	81.74
19.	Ujjivan	26/07/2017	1204962	1670548	465586	38.64
20.	Ujjivan	06/09/2017	3690752	4270148	579396	15.70
21.	Ujjivan	11/09/2017	1907179	2475356	568177	29.79
22.	Ujjivan	11/10/2017	1760956	2054339	293383	16.66
23.	Ujjivan	27/12/2017	493272	1892145	1398873	283.59
24.	Ujjivan	12/01/2018	1340021	2122142	782121	58.37
25.	Ujjivan	18/01/2018	993916	1977732	983816	98.98
26.	Ujjivan	15/02/2018	668446	834567	166121	24.85

34. In view of the above cited illustrations, it is abundantly clear that in most of the above listed cases, where the large orders were placed by the *Noticee no. 1,* the volumes in those respective scrips had shot up as soon as and due to such large orders placed by the *Noticee no. 1*. To illustrate the impact on the volume, I note that on December 26, 2017, the volume in the scrip of Ujjivan was 493272 (4.93 Lakh) shares. On the next day, between 9:25:24-9:25:48 am, a demand of 4 Lakh share, (which was almost 80% of the total traded volume of the previous day) was created by the *Noticee no. 1*, and such an irrational demand remained pending in the system till 01:08:32 pm. As can be seen, the volume on the day increased to 1892145 shares (19 Lakh approx.) or in other words, to a level of around 4 times of the previous days' volume. Similarly, in the scrip of Kaya Limited (**Kaya**), the trading volume on October 16, 2017 was merely 7731 shares, however, on the next day (October 17, 2017) the buy order of 1 Lakh shares placed by the *Noticee no. 1* at 10:16:22 am- 10:16:53 am led the volume to swell to 230455 shares, i.e., an increase of 2880% in the volume. I also note that by placing such a large order which was eventually cancelled, the *Noticee no. 1* was successful in selling 7261 shares of Kaya, which incidentally was 93% of the total traded volume of the scrip on the previous day.

35. At this stage, my attention gets drawn to the reply filed by the *Noticee no. 1* wherein it has been submitted that the orders in the scrip of SQSBFSI were placed by it on August 23, 2017 as it was noticed that there was a sudden increase in the "Orders" as well as the traded volume. The said explanation furnished by the *Noticee no. 1* is a candid admission on its part to the effect that the market depth of a particular scrip is indeed a factor for inducement for trading in a particular scrip. Therefore, by its own admission, the fulcrum of the SCN is supported by the *Noticee no. 1,* to support the allegation that the *Noticee no. 1*, by placing such large fake orders which were visible to the market, was artificially increasing the trade volumes of those scrips only to induce other gullible investors to trade in those scrips.

36. After carefully recording all the aforesaid findings, I am of the firm view that the practice followed in the trading account of the *Noticee no. 1* wherein large quantities of buy/sell orders in different scrips were being first placed, which were followed by execution of trades in smaller quantities on the opposite side in the same scrips, and further the earlier orders were subsequently cancelled, was nothing but a deliberate chain of acts done only for spoofing of the order book. The *Noticees* have also contended that neither the securities market regulations nor the SCN has defined the term 'spoofing'. In this connection, it is observed that though the said term spoofing has not been defined statutorily, however, as a general understanding, it means the unlawful practice of placing orders containing large number of shares on one side of the market (buy/sell) and eventually executing orders containing relatively smaller quantities of shares on the opposite side (sell/buy) and cancelling the orders containing large orders. By following such an unfair trade practice having manipulative impact on the price/volume of the scrip, the entity may enrich itself as the large orders which are displayed to the investors carry a potential to impact the price of the scrip.

37. Further, I may observe that absence of any specific definition cannot be taken as a ground of seeking exoneration from the charges when those alleged acts are being proved by the attendant circumstances surrounding those acts, as demonstrated above that such trading activities cannot be said to fall in the category of fair way of trading in securities. Rather, upon examining the peculiar trading pattern as narrated above which the *Noticee no. 1* has been following consistently over the period, under which the *Noticee* when it was found to be placing big orders in a scrip and immediately thereafter, it was taking contrary view in the said scrips in smaller quantities, and soon thereafter it was cancelling the earlier orders placed for bigger quantities, manifest a *malafide* intent of having no interest in actually buying the scrip in bigger quantities. In the absence of any convincing justification, the afore-stated abnormal pattern of placing orders certainly appears to have been done by the *Noticee no. 1* on a regular basis only to impact the price and/or volume of the scrip to the detriment of the interest of other genuine investors in the securities market, hence, such acts of the *Noticee no. 1* fall in the mischief of PFUTP Regulations.

38. It is observed that the *Noticees* in their reply have quoted a definition of spoofing as taken from a foreign jurisdiction, as per which, spoofing means cancellation of large orders on one side after trading on the other side. It has been contended that in the case of *Noticee no. 1*, on as many as 29 scrip days, the orders of large quantities were cancelled by the Stock Exchange. In this regard, I find that in so far as the cancellation of orders by Stock Exchange is concerned, even before the said cancellation happened after the closure of the market hours, the *Noticee no. 1* has been found to have executed trades on opposite side just before the closure of market. It is noted as an example, that a sell order of 14 Lakh shares in the scrip of Jamna Auto Industries Limited was placed on December 14, 2017 and the same got cancelled after market hours at 04:09:11 pm. However, just before the closure of the marker hours, i.e., during 03:13:29 pm to 03:28:30 pm and 03:40:01 pm to 03:55:06 pm[3], buy orders of 132193 shares were executed in the account of the *Noticee no. 1*. Thus, even for the orders which are cancelled by the Stock Exchange, enough evidence is available to show the same as trades borne out of *malafide* intent of the *Noticee no. 1*.

39. It is also noted from the SCN that by following the aforesaid fraudulent trading pattern, the *Noticee no. 1* was successful in spoofing the buy orders of various scrips by 4,22,47,023 quantities and sell orders by 3,12,49,377 quantities in the 16 scrips or 58 scrip days, which is noticed to be ranging from 1% to 250% of the total volume of the respective scrips on a particular day. To answer the allegation of spoofing the order book by 250%, it has been contended that instances of orders being 250% of the traded volume should have been considered as aberrations and the SCN should have considered the median of the trading range. The said defence taken by the *Noticee no. 1* clearly shows that the *Noticees* do not have any answer to justify their acts with a rationale logic and are rather making incomprehensible submissions without even explaining the rationale of those aberrations in its trading practices, which are not tenable in the present case. Even if the said submission is considered for a movement, it is seen that on various other trading days, the percentage of spoofing orders of *Noticee no. 1* to the traded volumes of the specific scrips has been seen be quite high to be ignored as exceptions as can be noted from the following details:

I. 194% on buy side and 60% on sell side (14/02/2018- in the scrip of Ujjivan);

II. 102% on buy side and 50% on sell side (15/02/2012- in the scrip of Ujjivan);

III. 78% on buy side and 55% on sell side (14/12/2017- in the scrip of JamnaAuto)

40. Under the circumstances, I observe that that such a self-speaking information pertaining to the ratio of Order book spoofing to the total traded volume in the afore-mentioned scrips indicate that not only the *Noticee no .1* was spoofing the order books by extremely large volumes, but also was not even shy of following the same practice on both buy and sell side of a particular

[3] Executed in the post-closing session of 03:40 pm to 04:00 pm.

scrip on the same trading day to achieve its illicit motive of manipulating the order book of the concerned scrip.

41. The argument of *Noticee no. 1* that orders were placed within the circuit filter limits also goes against the *Noticees* as the orders were seen to be placed quite close to the circuit filter limits, by virtue of which the *Noticees* were confident that there is less likelihood of execution of such orders and even if these deviant orders get executed, the same would require considerable time. Further, it may be added here that the market mechanism does not allow any traders to place orders beyond circuit limits wherever such limits are applicable. Therefore, placement of orders within the circuit limit was not an act of choice but of compulsion for the *Noticee no. 1*.

42. I note that certain other submissions have also been made by the *Noticees* like, the *Noticee no. 1* has incurred losses by following such practice; the alleged practice was followed only on a few days out of the total trading activities; the *Noticee no. 1* was expecting bulk deals in one of the scrips; it is legal to place orders on both sides of the market etc. Further, certain other explanations have also been offered for the peculiar pattern of order placement followed by the *Noticee no. 1*. However, in view of my findings recorded in the preceding paragraphs which have clearly demonstrated that the trading pattern, of the *Noticee no. 1* was not a normal trading pattern. I find that the afore-quoted arguments/clarifications are not worthy of any discussion since by following an unfair way of trading and the fact that losses if any incurred by way of conducting unfair and fraudulent trades are not recognised as any exception to such unfair and fraudulent trades that are prohibited under the law, no further explanation can stand the test of law without any concrete evidence to support those explanations.

43. Moving forward, it is noticed that the records before me indicate the following summary of the 58 acts of spoofing committed in the trading account of the *Noticee no. 1* during the investigation period:

Table no. 8

Sr. No.	Name of the scrip	Date	Type of Order spoofing	Total traded Vol in the scrip	Buy Order quantitys poof by Nimi	Sell Order Quantity spoof by Nimi	% of spoof buy order to trdvol	% of spoof sell order to trdvol
1.	MARKSANS	13/11/2017	Buy	30362787	2000000	-	7	-
2.	ESCORTS	11/08/2017	Buy/Sell	4423523	30000	225000	1	5
3.	UJJIVAN	11/10/2017	Buy/Sell	2054339	1250000	690000	61	34

4.	MCDOWELL-N	24/01/2018	Sell	2641957	-	40000	-	2
5.	MARKSANS	09/10/2017	Buy/Sell	18375088	2050000	1300000	11	7
6.	UJJIVAN	11/07/2017	Buy/Sell	1840906	875000	359000	48	20
7.	UJJIVAN	01/09/2017	Buy/Sell	2503392	1438000	200000	57	8
8.	SQSBFSI	23/08/2017	Buy/Sell	140924	10000	45000	7.10	32
9.	MCDOWELL-N	29/01/2018	Buy/Sell	473389	55000	20000	12	4
10	UJJIVAN	14/02/2018	Buy/Sell	668446	1300000	400000	194	60
11	DELTACORP	02/02/2018	Buy	3159054	400000	-	13	-
12	UJJIVAN	18/01/2018	Buy/Sell	1977732	550000	207000	28	10
13	MARKSANS	06/11/2017	Buy/Sell	7302963	2800000	2200000	38	30
14	RADICO	31/01/2018	Buy/Sell	2410426	700000	1500000	29	62
15	RADICO	05/12/2017	Buy/Sell	4524678	100000	266000	2	6
16	UJJIVAN	14/07/2017	Buy/Sell	2881159	550000	1571000	19	55
17	RADICO	07/02/2018	Buy/Sell	1969743	400000	540000	20	27
18	UJJIVAN	15/01/2018	Buy/Sell	1086500	400000	100000	37	9
19	MCDOWELL-N	23/01/2018	Buy	714156	20000	-	3	-
20	UJJIVAN	27/12/2017	Buy/Sell	1892145	400000	72000	21	4
21	UJJIVAN	12/09/2017	Buy/Sell	1568554	1350000	600000	86	38
22	RADICO	11/12/2017	Buy/Sell	3085372	400000	711000	13	23
23	JAMNAAUTO	24/01/2018	Buy/Sell	3563092	1500000	3400000	42	95
24	RADICO	06/02/2018	Buy/Sell	2621910	400000	913000	15	35
25	KAYA	17/10/2017	Buy	230455	100000	-	43	-
26	IPCALAB	04/10/2017	Buy/Sell	2019126	400000	280000	20	14
27	CAMLINFINE	15/01/2018	Buy/Sell	2150937	179023	2377	8	0
28	RADICO	15/12/2017	Buy	855851	100000	-	12	-

29	UJJIVAN	11/09/2017	Buy/Sell	2475356	400000	450000	16	18
30	COFFEEDAY	11/12/2017	Buy	548800	275000		50	-
31	UJJIVAN	13/07/2017	Buy/Sell	8396025	1300000	892000	15	11
32	UJJIVAN	08/08/2017	Buy/Sell	1864354	300000	646000	16	35
33	UJJIVAN	12/01/2018	Buy/Sell	2122142	900000	720000	42	34
34	UJJIVAN	07/08/2017	Buy/Sell	3139112	750000	520000	24	17
35	UJJIVAN	06/09/2017	buy	4270148	800000	-	19	-
36	DELTACORP	07/02/2018	Buy	2448042	350000	-	14	-
37	TNPL	28/11/2017	Buy/Sell	422902	80000	150000	19	35
38	MARKSANS	14/11/2017	Buy/Sell	11202403	3400000	2600000	30	23
39	NETWORK18	09/01/2018	Buy	1982746	1000000	-	50	-
40	UJJIVAN	15/02/2018	Buy/Sell	834567	850000	420000	102	50
41	NETWORK18	08/01/2018	Buy/Sell	2009593	620000	1000000	31	50
42	UJJIVAN	08/09/2017	Buy/Sell	1907179	310000	360000	16	19
43	IPCALAB	27/10/2017	Buy/Sell	700639	255000	150000	36	21
44	UJJIVAN	18/07/2017	Buy/Sell	1114971	700000	91000	63	8
45	TNPL	15/12/2017	Buy/Sell	815081	125000	150000	15	18
46	MARKSANS	07/11/2017	Buy	6448410	1000000	-	16	-
47	RADICO	13/12/2017	Buy	1839662	250000	-	14	-
48	UJJIVAN	17/07/2017	Buy/Sell	1193012	450000	766000	38	64
49	UJJIVAN	01/11/2017	Buy/Sell	1846156	840000	420000	45	23
50	BLS	14/08/2017	Buy	159881	400000	-	250	-
51	TNPL	08/09/2017	Buy/Sell	712091	200000	125000	28	18
52	JAMNAAUTO	14/12/2017	Buy/Sell	6879811	5400000	3800000	78	55
53	RADICO	01/02/2018	Buy/Sell	1867164	1200000	40000	64	2
54	HATSUN	15/11/2017	Buy	240373	85000	-	35	-

55	UJJIVAN	07/07/2017	sell	1270384	-	262000	-	21
56	UJJIVAN	26/07/2017	sell	1670548	-	746000	-	45
57	UJJIVAN	07/11/2017	buy	1821775	250000	-	14	-
58	JAMNAAUTO	12/12/2017	Sell	3046762	-	1300000	-	43

44. I have already observed that the *Noticee no. 1* was following a definite pattern of trade practice wherein, large buy/sell orders in specific scrips were being placed by it, that were eventually cancelled, after executing a relatively smaller orders in those scrips. As demonstrated above, the volume of shares involved in spoofed orders were sometimes multiple times of the total trading volume of the day and further, the volumes of trades in the particular scrips also increased due to such manipulative trade practice followed by the *Noticee no. 1*. Thus, it is unequivocally writ large from the afore-listed illustration of spoofing that due to the placement of such large orders by the *Noticee no. 1* in various scrips, the general public was indeed induced to trade in those respective scrips by virtue of which, the volumes in such scrips increased manifold.

45. In view of the foregoing observations, I find no difficulty in holding that the SCN has been successful in bringing home the charge that the pattern of trading as discussed in detail in the previous paragraph was nothing but a manipulative and unfair trade practice which was carried out by the *Noticee no. 1* on 58 scrip days, with an intent to manipulate the volume and price of those spoofed scrips.

46. After answering the first issue framed for the present proceedings in affirmative, I observe that the next task is to adjudge the liability of the individual *Noticees* for the acts of aforesaid manipulative trading activity of the *Noticee no. 1*. It is noted that the *Noticee no.2,* Mr. Dilip Vora, apart from being the partner of 60% of the *Noticee no. 1*, is also the natural person who was placing the orders on behalf of the *Noticee no. 1*. It is also seen that it was the *Noticee no. 2* who had appeared on behalf of the *Noticee no. 1* during the investigation proceedings in the present case. I note that the *Noticee no. 2* has claimed to be an innocent person and has also asserted that in the last 13 years of his trading, violation of any law has not been alleged by SEBI nor any such activity has been highlighted by the Stock Exchange. However, in this regard, the records before me indicate that based on certain alerts, the *Noticee no. 1* was kept in square off mode for cash and equity derivatives segment from September 22, 2018 till September 28, 2018 and further, the trading account of the *Noticee no. 1* was deactivated by the Stock Broker (Edelweiss Stock Broking Limited) for a period of 15 days in October, 2018 and it (*Noticee no. 1*) was also cautioned to ensure that its trading pattern is in compliance with the applicable regulations.

47. In view of the fact that the unusual trading pattern adopted in the trading account of the *Noticee no. 1* was swarmed with manipulative intent and in view of the undisputed fact that the *Noticee no. 2* was the natural person who was behind the execution of the aforesaid unusual and manipulative trading pattern followed by the *Noticee no. 1,* I hold the *Noticee no. 2* to be guilty of committing manipulative and unfair trade practices exhibited in the trading account of the *Noticee no. 1*.

48. Insofar as the role of the *Noticee no. 3,* Ms. Nishi Vora is concerned, it is noted that no specific argument has been made on her behalf, except for asserting that all acts of trading in the name of the *Noticee no. 1* were executed by the *Noticee no. 2*. In this connection, I note here that the *Noticee no. 3* was donning multiple hats in the present case. She is not only the 40% partner of the *Noticee no. 1* but is also daughter of the *Noticee no. 2*. This apart, she is also the Authorised Person of the Stock Broker Edelweiss Stock Broking Limited, and 95% of the spoofed orders of the *Noticee no. 1* were placed through her terminal. I observe that it was incumbent upon the *Noticee no. 3* acting as an Authorised Person, to identify and stop or curb such repeated placement of large orders, which were not commensurate with the financial strength of her client (*Noticee no. 1*) where incidentally she was one of the partners with her father. It is also relevant to note here that the KYC details of an entity trading in the securities market always mention the income bracket to which an entity falls and the purpose of such regulatory requirement seems to ensure that appropriate checks and balances are exercised by the Stock Broker/Authorised Person pertaining to the trading activities of a particular entity. As highlighted earlier, the *Noticee no. 1* has been found to have taken positions worth of Crores of rupees in a single scrip, however, it is not clear from the submissions made in the present proceedings as to whether the *Noticee no. 3* who herself was financially as well as personally interested in the *Noticee no. 1*, had ever collected appropriate margins before allowing such orders to be placed in the accounts of the *Noticee no. 1*. Infact, in terms of an email dated February 11, 2019 of NSE, the *Noticee no. 1* had not even subscribed to the margin trading facility which could have helped it to trade in large quantities with smaller margins.

49. It is noted that there is no submission to indicate that the *Noticee no. 1* had provided the requisite margins to support its large orders. Therefore, it indicates that the *Noticee no. 3* being the Authorised Person had accommodated the *Noticee no. 1* to place orders for huge quantities and values in different scrips without calling for appropriate margins, as she apparently knew that the said large orders are fake orders and are going to be eventually cancelled. Under the circumstances, I am of the view that the role of the *Noticee no. 3* stands exposed which shows that without her tacit support, the whole scheme of manipulation of volumes and price by following such an unfair trade practice could not have been executed by the *Noticee no. 2* in the name of the *Noticee no. 1*. Therefore, for the detailed reasons stated above, the *Noticee no. 3* also deserves to be held equally guilty for the ruse created by the trading pattern of the *Noticee no. 1*.

50. It is further noted that the most of the spoofed orders have been placed only through one Dealer having User ID:40781 and Trading Terminal Id 400014001001. The SCN alleges that the said trading Terminal belongs to the *Noticee no. 4* who, while acting as the Dealer for the *Noticee no. 3 (*Authorised Person), has aided and abetted spoofing of the orders in the account of the *Noticee no. 1*. It has also been asserted in the SCN that the *Noticee no. 4* was a relative of the *Noticee no. 2* and was also an employee of a company viz., Pelican Portfolio Services Private Limited, wherein the *Noticee no. 2* was one of the Directors. In response to the allegations, the *Noticee no. 4* has pleaded that he has merely executed the instructions that emanated from the *Noticee no. 4* (Mr. Dilip Vora) and that no personal gain has accrued to him.

51. Insofar as the liability of the *Noticee no. 4* is concerned, I note that the undisputed factual position of him being a Dealer of the *Noticee no. 3* (Authorised person of Edelweiss Stock Broking Limited); his personal relationship with the *Noticee no. 2;* and his employment with Pelican Portfolio Services Private Limited remain intact. It has also been elaborated in the present order as to how the large orders which were in the nature of spoofing the order book, were placed as well as cancelled in quick succession to the trades executed on the other side of such spoofed orders placed in the account of the *Noticee no. 1*. It has also been brought out in the SCN that the Order books of the respective scrips were spoofed on both the sides and all such orders were placed by the *Noticee no. 4*.

52. I note that both the entities i.e., *Noticee no.* 2, who was placing orders on behalf of the *Noticee no. 1* as well as the *Noticee no.* 4, who was punching such orders on to the market platform, have stated that all the orders were being placed in off-line mode by the *Noticee no. 2*. It is also undisputed that both the *Noticee no. 2* and *4* are related to each other as Brother-in-law. Another interesting fact which the records before me suggest is that the Trading Terminal that belonged to the *Noticee no. 4* was situated at the residential address of the *Noticee no. 2* himself (the trading activities were being carried out through *Noticee no. 3* who is the daughter of the *Noticee no. 2*). It is also noticed from the SCN that the *Noticee no. 4,* apart from acting as a Dealer, was also an employee of Pelican Portfolio Services Limited, where *Noticee no. 2* was one of the Directors.

53. Faced with the afore-stated incontrovertible facts, when I consider the submissions of the *Noticee no.* 4, it is noted that an *alibi* has been placed before me by asserting that all the orders were placed by the *Noticee no. 2* and he (*Noticee no. 4*) has merely punched such orders on the Stock Exchange platform. It is noted that the *Noticee no. 4* has attempted to brush aside the charge levelled against him by belittling the role of a Dealer to be a mere pass-through of the client's orders. However, as noted from the Regulation 3 of the SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 read with the SEBI's notification dated December 10, 2010

(No. LAD-NRO/GN/2010-11/21/29390), an associated person[4] working with a registered stock broker, who are dealing with: (a) assets or funds of investors or clients,(b) redressal of investor grievances, (c) internal control or risk management, and (d) activities having a bearing on operational risk; has to qualify "NISM-Series-VII: Securities Operations and Risk Management Certification Examination".

54. As the name of the aforesaid certification suggests, the associate person like the *Noticee no. 4* needs to know the Risk Management aspect while dealing with the securities of its clients, so as to qualify the Certificate exam, which is a pre-requisite for acting as a Dealer. It is further observed that the certificate so obtained by clearing the test conducted by NISM have limited validity of three years and the associated person needs to always update his knowledge and to possess a valid certificate while working in securities market. In view of the above, it is observed that mandate of law providing that the associated persons should possess a NISM certification on a continuous basis clearly puts the *Noticee no. 4* into a crucial statutory and regulatory role and not into a job of acting as a mere pass-through for the orders placed on behalf of the clients.

55. Now, when the pattern of order placement and consequent cancellation in the trading account of the *Noticee no. 1* is seen and examine, it is clearly observed that the large orders were cancelled within a few seconds of execution of trades of smaller quantities on opposite side. It is noted that spoofed orders were placed both at the time of executing the first leg of transaction and also at the time of closing out the earlier transaction. For illustration, if an entity wants to buy shares of a company, by deploying spoofing as a strategy, he would first place a large sell order to spoof the sell side of the scrip and then execute his buy trade. Similarly, when the entity would decide to sale the shares (which he had earlier bought during the day) and earn some profit, he would spoof the buy side of the scrip by placing a large buy order, followed by executing his sell order as per his spoofing strategy and cancel the buy order.

56. It this case, it has brought out in the present order that on many days, the spoofed orders were placed on both sides of the trading activities, and the trades were executed on the opposite sides, i.e., when the *Noticee no. 1* wanted to buy the shares, it used to spoof the sell side by placing orders of huge quantities on sell side and on the same day, the shares were sold from the account of the *Noticee no. 1* by spoofing the buy side. It is beyond acceptance that a Dealer who is placing all such orders never noticed the uncanny and rather manipulative trading pattern including the fact that in many such cases, orders in multiples of the whole day's trading volumes in certain specific scrips were being placed.

[4] Regulation 2 (1) (c): Associated person" means a principal or employee of an intermediary or an agent or distributor or other natural person engaged in the securities business and includes an employee of a foreign portfolio investor or a foreign venture capital investor working in India

57. The submission of the *Noticee no. 4* that he has not derived any unlawful gains may be factually correct, however, at the same time, it cannot be ignored that while working as the Dealer, the *Noticee no. 4* was side by side also an employee of a company where the *Noticee no. 2* was a Director. It may also be noted that for the purposes of the present proceedings, it is not required to show that the *Noticee no. 4* has derived any direct benefit from the unlawful gains that accrued to the *Noticee no. 1* by virtue of the order spoofing activities.

58. In view of the above discussions, I observe that when the manipulative activities involving order placement and cancellation have been carried out swiftly in the account of the *Noticee no. 1,* and when all such orders have been punched by the *Noticee no. 4* on the market platform, I have no hesitation to hold that the *Noticee no. 4* has aided and abetted the *Noticee nos. 1, 2* and *3* in the afore-narrated acts of fraudulent trade pattern which were in the nature of spoofing of the order book.

59. In view of the foregoing discussion and factual findings, the charges against the *Noticee nos. 1, 2, 3* and *4* for violation of the Section 12A (a), (b), (c) of SEBI Act, 1992 r/w Regulations 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) and (g) of PFUTP Regulations, 2003 stand proved more so with the support of the factual evidences available on record.

60. Moving on further, I note that the SCN alleges that by following the afore-stated manipulative and unfair trade practice, a total gains of INR 52.55 Lakh that has accrued to the *Noticee no. 1* is unlawful. The formula used in the SCN to calculate the said unlawful gains is quoted below:

> *In case buy quantity during the spoofing period is minimum: - *Profit = [Min of buy qty or sell qty during the order spoofing period] *[Average sell price during the day – Average buy price during the spoofing).*
>
> *In case Sell quantity during the spoofing period is minimum: - *Profit = [Min of buy qty or sell qty during the order spoofing period] *[Average sell price during the spoofing – Average buy price during the day).*

61. The aforesaid formula is based on the plain principle that the spoofing orders were carrying the potential to induce the common investors. At this stage, I also seek to rely upon the judgment of the Hon'ble Supreme Court of India passed in the matter of *SEBI Vs. Rakhi Trading P Ltd. [2018 (13) SCC 753],* has *inter alia* observed as: "*If the factum of manipulation is established, it will necessarily follow that the investors in the market have been induced to buy or sell and that no further proof in this regard is required.*" It is further observed that by causing such an inducement, the *Noticee no. 1* was able to buy or sell shares at prices which were determined based on non-genuine demand/supply inherent in those scrips. Further, I have already observed that the spoofing orders placed by the *Noticee no. 1* had caused inducement to the general investors so much so that the trading volume had increased multiple times in those scrips on the day when the orders were being spoofed as a

deliberate strategy. Therefore, as a natural corollary to the same, it has to be held that whatever gain that accrued to the *Noticee no. 1* in the day when spoofing of Order book was carried out in its trading account, the said gain is to be considered as unlawful. To illustrate one of such profit instance, it is noted from the Annexure 3 of the SCN that the *Noticee no. 1* made a profit of INR 4 Lakh (approx.) by buying and selling the shares of Marksans on October 09, 2017 with the following details:

Table no. 9

Name of the scrip	Date	Buy trade while sell order spoof	Sell trade while buy order spoof	Min qty.	Min qty. (Buy/sell)	Buy value (INR)	Sell value (INR)	Avg buy price of spoofing time	Avg sell price of spoofing time	Avg buy price of the day	Avg sell price of the day	Profit per share	Total profit
MARKSANS	09/10/2017	270851	220851	220851	Sell	13343645.80	11286658.70	49.2656	51.1053	49.27	50.98	1.83531	405330

62. It is noted that in the above example, the sell quantity of shares of Marksans, being lower of the buy quantity, has been taken for calculation of the profit. The formula is thus applied in the following manner:

*Profit = [Min of buy qty or sell qty during the order spoofing period (***220851***)] *[Average sell price during the spoofing (***INR 51.1053***) – Average buy price during the day (***INR 49.27)]** = **INR 405330**

63. In view of the above, I observe that the SCN has been successful in proving the charge that by using the spoofing of the Order book as a pre-mediated device, the *Noticee no. 1* was successful in making a huge profit of INR 52.55 Lakh by following such an ill-conceived practice on 58 scrip days. It is also to be appreciated that as a consequence of following such an illicit trade practice, the said unlawful gains that accrued to the *Noticee no. 1,* deserves to be disgorged. At this stage, I refer to the observations of the Hon'ble SAT passed in the matter of *Reliance Industries Vs. SEBI (Appeal no.120/2017, Date of decision: November 05, 2020)* where the Hon'ble SAT have observed *inter alia* that, disgorgement is an equitable remedy, more so when the amount is credited to Investor Protection Fund of SEBI for the benefit of small investors.

64. It is further noted that on account of the aforesaid sets of contravention, the SCN also calls upon the *Noticees* to show cause *inter alia* as to why penalty under Section 15HA of the SEBI Act, 1992 should not be imposed upon them for the said manipulative and unfair trade practices followed by them pertaining to spoofing of order book of various scrips as discussed in this order. It is noted that the Section 15HA of the SEBI Act, 1992 reads as:

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.

65. Having considered the contents of the SCN, the replies filed by the *Noticees* and considering all the attendant circumstances, I have already come to a conclusion that the *Noticee nos. 1, 2,* and *3* have violated the provisions of the SEBI Act, 1992 and PFUTP Regulations, 2003, thereby rendering themselves liable for imposition of monetary penalty under Section 15HA. It is noted that no specific argument has been advanced by the said *Noticees* to counter the contemplated penalty, except for making a shallow claim that their trades were *bonafide* trades. Insofar as the quantum of penalty is concerned, I note in the backdrop of Section 15 J that the acts of spoofing of order book was executed by the *Noticee no. 1* repeatedly on 58 scrip days. Further, it is also of pertinence to note that the order book of both buy and sell side were spoofed by the *Noticee no. 1* and the gains that accrued to the *Noticee no. 1* have already been quantified to be INR 52.55 Lakh.

66. Before passing appropriate directions in the matter, I observe that the ecosystem of the securities market in India functions on the basis of collective actions of all the intermediaries and the traders. Even a small investor with limited financial resources has the potential to cause an adverse impact on the overall trading behaviour of the other trading entities. Therefore, it a duty bestowed upon all the stakeholders to maintain and uphold the sanctity of a market which is fair and transparent for all. It should not be a case that a person with devious mind and resources at his hands plays in the market causing mischief for his personal profit. In all such cases, SEBI shall step in to protect the integrity of the market. It may be appreciated that the avowed objective of the SEBI Act is the protection of the interest of the investors and in the said direction, SEBI keeps on putting in place various restrictions and regulations and also ensures enforcement of the same. In the present case, it has been delineated in the present order as to how a trading entity (*Noticee no. 2* on behalf of *Noticee no. 1)* in connivance with the Authorised Person (*Noticee no.3)* has created a subterfuge of demand/supply of shares in various scrips and by following such a practice for multiple days, the said *Noticees* were able to corner large sums of unlawful gains. As the conduct exhibited by the said *Noticees* have been found to be loathed with malicious intent to generate gains for their personal favour, the securities market deserves to be insulated from such miscreants and such gains need to be stripped off.

67. In view of the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Section 19 read with Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) and further read with Section 15G of the SEBI Act, 1992 and SEBI (Procedure for Holding Inquiry and

Imposing Penalties) Rules, 1995, hereby issue the following directions and impose the following penalty:

i. The *Noticee nos. 1, 2, 3* and *4* are restrained from accessing the securities market and are 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 the period specified in their respective columns:

Table no. 10

Sr. No.	Name of the Noticee	Period of debarment
1.	**M/s Nimi Enterprises**	2 years
2.	**Mr. Dilip Talakshi Vora**	1 year
3.	**Ms. Nishi Vora**	1 year
4.	**Mr. Rohit Bhawanji Chheda**	1 year

ii. The directions *qua* the *Noticee no. 3* are restricted to her proprietary account only.

iii. The *Noticees nos. 1, 2,* and *3* shall jointly and severally disgorge the amount of unlawful gains of INR 52.55 Lakh along with simple interest @ 9%per annum from February 28, 2018 till the date of actual payment. The said amounts shall be remitted to the Investor Protection and Education Fund (IPEF) as referred to in Section 11(5) of the SEBI Act, 1992, within 45 (forty -five) days from the date of this order and intimation may be forwarded to "Division Chief, Enforcement Department-1, DRA-4, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai-400 051".

iv. The particulars of SEBI Account for making e-payment are as under:

Table no. 11

Name of the Bank	Branch Name	RTGS Code	Beneficiary Name	Beneficiary Account No.
Bank of India	Bandra Kurla Branch	BKID 0000122	Securities and Exchange Board of India	012210210000008

In case of e-payments, the Noticees are advised to forward the details and confirmation of the payments so made to the Enforcement department of SEBI for their records as per the format provided in Annexure A of Press Release No. 131/2016 dated August 09, 2016 which is reproduced as under:

1. Case Name:	
2. Name of the payee:	
3. Date of payment:	
4. Amount paid:	
5. Transaction No:	
6. Bank Details in which payment is made:	
7. Payment is made for (disgorgement amount and along with order details)	

v. It is clarified that during the period of restraint, the existing holding of securities, including the units of mutual funds shall remain under freeze in respect of the aforesaid debarred *Noticees*.

vi. The obligation of the aforesaid debarred *Noticees*, 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, can take place irrespective of the restraint/prohibition imposed by this Order only, in respect of pending unsettled transactions, if any. Further, all open positions, if any, of the *Noticees* debarred in the present Order, in the F&O segment of the stock exchanges, are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.

vii. The *Noticees* are further directed to pay a penalty as detailed below within 45 (forty five) days from the date of service of this order by way of crossed demand draft drawn in favour of "SEBI–Penalties remittable to Government of India", payable at Mumbai, or the online payment facility available on the website of SEBI: www.sebi.gov.inon the following path, by clicking on the payment link /ENFORCEMENT → Orders → Orders of Chairman/Members → PAYNOW or at the linkhttps://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html.:

Table no. 12

Entity	Provisions of law violated	Penalty levied under Section	Quantum of penalty payable
M/s Nimi Enterprises	Section 12 A (a), (b), (c) of SEBI Act, 1992 read with Regulation 3 (a), (b), (c), (d), and 4 (1), 4 (2) (a) and (g) of the PFUTP Regulations, 2003	Section 15 HA of SEBI Act, 1992	**INR 10 Lakh**
Mr. Dilip Talakshi Vora			**INR 5 Lakh**
Ms. Nishi Vora			**INR 5 Lakh**
Mr. Rohit Bhawanji Chheda			**INR 5 Lakh**

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

69. A copy of this Order shall be forwarded to all the *Noticees*, all the recognized Stock Exchange, depositories and registrar and transfer agents for ensuring compliance with the above directions.

-Sd-

DATE: APRIL 28, 2023 **S. K. MOHANTY**

PLACE: MUMBAI **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA