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National Stock Exchange of India

Circular

Department: Investigation	
Download Ref No: NSE/INVG/60494	Date: January 31, 2024
Circular Ref. No: 279/2024	

To All NSE Members,

Sub: SEBI Order in the Matter of Front-Running of the Trades of Sanctum Wealth Management Private Limited (now known as Sanctum Wealth Private Limited)

SEBI vide its order no. WTM/ASB/IVD/ID11/30014/2023-24 dated January 31, 2024, has restrained the below-mentioned entities from accessing the securities market, and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly for the period as below:

Sr. No.	Name	PAN	Debarment Period
1	Kishan Vishram Nanda	ACPPN8761L	3 years
2	Kishan Vishram Nanda HUF	AAMHK2779L	1 year
3	Sumitra Vishram Nanda	AGSPN3750G	1 year
4	Prafulla Kisan Nanda	AGZPN1155E	1 year
5	Vijay Vishram Nanda HUF	AAKHV5877N	1 year
6	Leena Vijay Nanda	AGWPN7673G	1 year
7	Rahul Narottam Nanda	BABPN8830M	1 year

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

National Stock Exchange of India

The 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 at the below mentioned link:

https://www.nseindia.com/regulations/member-sebi-debarred-entities

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

In case of any further queries, members are requested to email us at dl-invsg-all@nse.co.in

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

For and on behalf of
National Stock Exchange of India Limited

Souradeep Ghosh
Manager

ANNEXURE: SEBI Order in the Matter of Front-Running of the Trades of Sanctum Wealth Management Private Limited (now known as Sanctum Wealth Private Limited)

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Sections 11(1), 11(4), 11(4A), 11B (1) and 11B (2) of the Securities and Exchange Board of India Act, 1992.

In respect of –

Sl. No.	Noticee	PAN
1.	Kishan Vishram Nanda	ACPPN8761L
2.	Kishan Vishram Nanda HUF	AAMHK2779L
3.	Sumitra Vishram Nanda	AGSPN3750G
4.	Vishram Purshottam Nanda HUF	AAKHV6605C
5.	Prafulla Kisan Nanda	AGZPN1155E
6.	Vijay Vishram Nanda HUF	AAKHV5877N
7.	Leena Vijay Nanda	AGWPN7673G
8.	Rahul Narottam Nanda	BABPN8830M

(The aforesaid entities are hereinafter referred to by their respective names / Noticee numbers and collectively as the "Noticees")

In the matter of front-running of the trades of Sanctum Wealth Private Limited

1. Background

1.1. The present matter emanates from an alert generated by SEBI's surveillance system indicating the suspected front-running of trades of Sanctum Wealth Management Private Limited (now known as Sanctum Wealth Private Limited) ("**Sanctum**") by certain connected entities.

1.2. Pursuant to the receipt of the said alert, SEBI carried out an investigation into the matter to verify the veracity of the information brought out in the alert and ascertain whether there had been any violation of the provisions of the Securities and Exchange Board of India Act, 1992 (the "**SEBI Act**") and any other Regulations or provisions of securities laws. The investigation considered the period, January 01, 2018 to April 02, 2021 ("**Investigation Period**" or "**IP**"). In the course of investigation, wherever deemed necessary, reference has been made outside the Investigation Period also.

1.3. Consequent to the completion of investigation in the matter, a common Show Cause Notice dated May 20, 2021 ("**SCN**") was issued to the entities, i.e., Kishan Vishram Nanda and entities related to him, based on the findings of the said investigation. It is in this background that the present proceeding, which is to consider the allegations made in the SCN, is before me.

2. The Show-cause Notice

2.1. As stated above, the SCN has been issued to the Noticees based on the findings of the investigation carried out by SEBI. In this regard, the following facts have *inter alia* been brought out in the SCN with respect to the conduct of the Noticees:

a. Kishan Vishram Nanda worked as an equity dealer in the broking arm of Sanctum ("**Sanctum-Broker**") for the Big Client, which was the PMS arm of Sanctum i.e., **Sanctum-PMS**. Owing to this position, he was privy to the information regarding the impending trade orders of the Big Client, information that was not publicly available.

b. Kishan Vishram Nanda opened a trading account in the name of Kishan Vishram Nanda HUF and also opened six additional trading accounts in the name of his family members namely, Sumitra Vishram Nanda, Vishram Purshottam Nanda HUF, Prafulla Kisan Nanda, Vijay Vishram Nanda HUF, Leena Vijay Nanda and Rahul Narottam Nanda with Globalworth Securities Limited ("**GSL**").

c. Kishan Vishram Nanda traded through these accounts to front run the impending trade orders of the Big Client i.e., Sanctum PMS.

d. Kishan Vishram Nanda was the Information Carrier(“**IC**”) as he was in possession of non-public information regarding impending trade orders of Sanctum PMS and the main front runner who traded through his HUF account (Kishan Vishram Nanda HUF) and through his proxy trading accounts in the names of his six family members. The accounts of these family members were used as Mule Accounts to front run the impending trade orders of the Big Client.

2.2. Based on the above, it has been alleged that the Noticees have violated Section 12A (a), (b), (c) & (e) of SEBI Act, 1992 (“**SEBI Act**”) read with Regulations 3(a), 3(b), 3(c), 3(d), 4 (1) and 4 (2)(q) of the Prohibition of Fraudulent and Unfair Trade Practice Regulations (“**PFUTP Regulations**”).

2.3. In view of the allegations made, the Noticees have been called upon to show cause as to why suitable directions under Sections 11(1) and 11B (1) should not be issued against them. Further, the Noticees have also been called upon to show-cause as to why directions for disgorgement of the wrongful gain of Rs. 34,84,605.26/-, jointly and severally, should not be issued against them.

2.4. Additionally, Noticee 1 has been called upon to show cause as to why an inquiry should not be held against him in terms of Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) and penalty imposed under Sections 11 (4A) and 11B (2) read with 15 HA of the SEBI Act.

3. Service of SCN, Inspection of Documents, Personal Hearing, and Replies and Written Submissions of the Noticees

3.1. The SCN was sent to the Noticees on the addresses available on record. Pursuant to the issuance of the SCN, replies were received from the Noticees. The details with respect to the replies received from the Noticees are as under:

Table – 1

Noticee No.	Noticee	Dates of Replies
1	Kishan Vishram Nanda	June 05, 2023; May 15, 2023; October 10, 2022; September 08, 2022; August 16, 2022; August 04, 2022; July 30, 2022; July 22, 2022; July 09, 2022; and June 29, 2022
2,3,4,5,6,7 and 8	Kishan Vishram Nanda HUF, Sumitra Vishram Nanda, Vishram Purshottam Nanda HUF, Prafulla Kisan Nanda, Vijay Vishram Nanda HUF, Leena Vijay Nanda and Rahul Narottam Nanda	June 02, 2023; October 27, 2022; October 09, 2022; September 08, 2022; August 20, 2022; and August 04,2022

3.2. The Noticees also sought inspection of documents. Based upon the requests of the Noticees, opportunities for inspection of the relied/relevant records and documents were provided to the Noticees. Details with respect to the same are provided hereunder:

Table – 2

Noticee No.	**Noticee**	**Date of Inspection of Documents**	**Inspection Conducted By**
1	Kishan Vishram Nanda	August 04, 2022	Kushal Hitesh Shah
2,3,4,5,6,7 and 8	Kishan Vishram Nanda HUF, Sumitra Vishram Nanda, Vishram Purshottam Nanda HUF, Prafulla Kisan Nanda, Vijay Vishram Nanda HUF, Leena Vijay Nanda and Rahul Narottam Nanda	August 23, 2022	Kushal Hitesh Shah

3.3. The Noticees were also provided an opportunity of personal hearing. The details of the personal hearing in the matter are tabulated below:

Table – 3

Noticee No.	**Name of the Noticee**	**Date of Hearing**	**Represented by**
1	Kishan Vishram Nanda	May 25, 2023	Mr. Prakash Shah and Mr. Kushal Shah, Advocates

2	Kishan Vishram Nanda HUF, Sumitra Vishram Nanda, Vishram Purshottam Nanda HUF, Prafulla Kisan Nanda, Vijay Vishram Nanda HUF, Leena Vijay Nanda and Rahul Narottam Nanda	May 25, 2023	Mr. Kishan Vishram Nanda

3.4. A summary of the replies as submitted by the Noticees is provided hereunder: -

Noticee 1 (Kishan Vishram Nanda)

3.5. Noticee 1, has *inter alia* submitted the following:—

Preliminary Submissions

a. Noticee 1 has contended that the SCN did not provide the specific measures/directions contemplated by SEBI against the Noticee.

b. In support of the contention, Noticee 1 has placed reliance on Royal Twinkle Star Club Private Ltd v. SEBI (decided on February 3, 2016) Hon’ble Securities Appellate Tribunal and Gorkha Security Services v. Govt. of NCT of Delhi & Ors.

Non-matching of the orders of the Noticees with the Big Client

c. Noticee 1 has submitted that of the total 789 instances on NSE, in 49 instances amounting to Rs.1,38,781 neither his buy trades nor his sell trades matched with the Big Clients orders.

d. Noticee 1 has also provided a percentage-wise segregation of his trades that matched with the Big Client. The segregation is detailed below:

Matching of Buy Trades with Big Client

Category	**No. of Instances**
0.1 % to 20 %	7
20 % to 40 %	7
40 % to 60 %	15
60 % to 80 %	24
80 % to 100 %	308
Total	**361**

Matching of Sell Trades with Big Client

Category of	**No. of Instances**
0.1 % to 20 %	5
20 % to 40 %	14
40 % to 60 %	14
60 % to 80 %	41
80 % to 100 %	311
Total	**385**

Profit earned by the Noticees

e. Noticee 1 has also contended that the profit earned from the alleged trades was not very high, and on many occasions, it was miniscule. The said

Noticee has provided segregation of profits made by Noticee 1. The details are reproduced hereunder:

Profit Range (in Rs.)	**Instances**
0- 1000	52
1000 - 2000	57
2000 - 3000	48
3000 - 5000	114
5000 - 10000	204
10000 - 20000	155
20000 - 50000	117
50000 - 100000	42
Above 100000	5
Total	**794**

Transactions that did not satisfy either the BBS pattern or the SSB pattern

f. It has been contended by Noticee 1 that many instances alleged to be front-running trades could not be considered as the same because they did not satisfy the BBS pattern or SSB pattern of front-running.

g. It has been submitted by Noticee 1 that on 17 instances, in the BBS pattern the buy-order-end-time and sell-order-end-time was prior to the Big Client's buy order start time. Such 17 instances amounted to Rs. 2,88,628.65.

h. It has been submitted by Noticee 1 that on 5 instances, in SSB pattern the sell-order-time and buy-order-time was prior to the BC's sell order start time. Such 5 instances amounted to Rs. 45,779.

i. On 149 instances, in the BBS pattern, it has been submitted by Noticee 1 that his Buy and Sell End Order time were between the Big Client's buy start and end order time. Further, it has been submitted that in 149 instances the sell leg was prior to the buy order end time of the BC, so the same could not be considered as satisfying the BBS pattern. The total value of such 149 instances was Rs. 8, 63,700.

j. In 178 instances in the SSB pattern, it has been submitted by Noticee 1 that his sell and buy order end time was between the BC's sell order start time and sell order end time. The Noticee's buy order start time in the second leg was prior to sell order end time of BC, so the same could not be consdired as satisfying the SSB pattern. The total value of such 178 Instances was Rs. 12,49,287.

Deductions from the alleged illegal gains made

k. It has been submitted by Noticee 1 that the value of transactions that did not satisfy the BBS pattern or the SSB pattern should be deducted from the total amount of alleged illegal gain computed.

l. It has also been submitted by Noticee 1 that trading in the alleged scrips included brokerage, STI, Stamp Duty and other charges incurred, and the same should be deducted while calculating the alleged illegal gains made. The charges in respect of the trades approximately came to around Rs 5.30 Lakhs and hence the same should be deducted while calculating the alleged profit.

Strict proof and compelling evidence required for a serious charge of 'fraud'

m. Noticee 1 has contended that for establishing the serious charge of fraud, as was the case in the present matter, SEBI was required to present compelling evidence and strict proof, which had not been done.

n. Noticee 1 has in its replies relied on the following case laws in support of his contention:

    i. R. K. Global V. SEBI (Appeal no. 158/2008 decided on 16.09.2010), Hon'ble Securities Appellate Tribunal;

ii. Narendra Ganatra V. SEBI (Appeal No 47 of 2011 decided on 29.07.2011), Hon'ble Securities Appellate Tribunal;

iii. Sterlite Industries (India) Ltd. V. SEBI (2001) 34 SCL 485 (SAT), Hon'ble Securities Appellate Tribunal;

iv. Videocon International V. SEBI (2002) 4 CW 402 (SAT);

v. Parsoli Corporation V. SEBI (Appeal No 146/2011 decided on 12.08.2011) Hon'ble Securities Appellate Tribunal; and

vi. Ram Sharan Yadav V.Thakur Muneshwar Nath Singh [(1984) 4 SCC 649, AIR 1985 SC 24]

Noticees 2 (Kishan Vishram Nanda HUF), 3 (Sumitra Vishram Nanda), 4 (Vishram Purshottam Nanda HUF), 5 (Prafulla Kisan Nanda), 6 (Vijay Vishram Nanda HUF), 7(Leena Vijay Nanda) and 8 (Rahul Narottam Nanda)

3.6. Noticees 2 to 8 through their common replies/submissions have *inter alia* stated the following:—

a. Their trading accounts had been opened by Noticee 1 and he was the one who was using their accounts to place orders.

b. The decision to buy shares was that of Noticee 1 and the other Noticees were not involved in the same.

c. Vishram Purshottam Nanda, the karta of Vishram Purshottam Nanda HUF (Noticee 4) had passed away and the HUF had been dissolved. So, the proceedings *qua* him should be abated.

d. Noticees 3 to 8 had no role in any fraudulent activity and as such cannot be held liable for the violation of the SEBI Act and the PFUTP Regulations.

4. Issues –

4.1. In view of the submissions made, the issues for consideration are: –

- **I. Whether Noticee 1 had effected trades through the accounts of Noticees 2 to 8?**
- **II. If the answer to Issue-I is in the affirmative, whether Noticee 1 (through the accounts of Noticees 2 to 8) had front-run the orders of Sanctum PMS?**
- **III. If the answer to Issue-II is in the affirmative, what is the amount of illegal gains made?**

5. Consideration and findings –

5.1. Before proceeding with the consideration of the substantive allegations made in the SCN, it shall be relevant to first deal with the preliminary issue raised by the Noticees.

SCN has not specified the directions proposed to be issued

5.2. Noticee 1 in his replies has contended that the SCN was non-specific regarding the directions contemplated in the SCN. For the same, reliance has been placed by the Noticee on the Order dated February 3, 2016 of Hon'ble Securities Appellate Tribunal in the matter of *Royal Twinkle Star Club Private Ltd v. SEBI,* which in turn had relied upon the Hon'ble Supreme Court's judgement in *Gorkha Security Services v. Govt. of NCT of Delhi & Ors*.

5.3. In this regard, reference is made to Hon'ble SAT's Order in Royal Twinkle Star Club Private Ltd. The matter came before the Hon'ble SAT pursuant to the Order dated August 21, 2015 of SEBI, whereby SEBI had *inter alia* passed directions debarring

Royal Twinkle Star Club Private Ltd. and its directors, namely, Omprakash Basantlal Goenka, Prakash Ganpat Utekar, Venkatraman Natrajan and Narayan Shivram Kotnis for a period of four(4) years from the securities market. In response to the same, the company and above-named directors filed appeals before the Hon'ble SAT, which decided the said appeals by way of its Order dated February 3, 2016.

5.4. The appellants, namely, Royal Twinkle Star Club Private Ltd., Omprakash Basantlal Goenka, Prakash Ganpat Utekar, Venkatraman Natrajan and Narayan Shivram Kotnis in their arguments drew the Hon'ble SAT's attention to the Hon'ble Supreme Court's judgement in Gorkha Security Services. It was contended by the appellants that they being debarred for a period of four (4) years from the securities market was contrary to the judgement of the Gorkha Security Services, since the SCN in the matter had not mentioned the imposition of such debarrment. From a perusal of the said SAT Order, it is noted that the Hon'ble SAT did discuss the judgement of the Gorkha Security Services; however, it did not give any specific finding in respect of the applicability of Gorkha Security Services to the matter under consideration. The specific part of the Hon'ble SAT's Order is provided hereunder for reference: "*However, applicability of the judgment of Hon'ble Supreme Court in the case of Gorkha to the facts of present case need not be gone into…*" Thus, the reliance of Noticee 1 in the Hon'ble SAT's Order in Royal Twinkle Star Club Private Ltd. is without merit.

5.5. Further, the reliance placed by the Noticees on Gorkha Security Services to contend that the SCN did not specify the directions proposed to be issued is not appropriate in the present matter, as the findings of the said case are not applicable to the facts of the present matter. It is also clarified that in Gorkha Security Services, the interpretations offered by the court were made in respect of questions arising out of a commercial dispute, while the present matter relates to actions contemplated by SEBI for violations of statutory provisions.

5.6. Notwithstanding the above, it would be instructive to bring out the elements of the SCN to demonstrate that, in fact, principles of natural justice have been adhered to.

5.7. In paragraph 47 of the SCN, it has been summarised that the Noticees viz. 1) Kishan Vishram Nanda, 2) Kishan Vishram Nanda HUF, 3) Sumitra Vishram Nanda, 4)

Vishram Purshottam Nanda HUF, 5) Prafulla Kisan Nanda, 6) Vijay Vishram Nanda HUF, 7) Leena Vijay Nanda and 8) Rahul Narottam Nanda had front-run the trades of the Big Client thereby violating Section 12A (a),(b), (c) & (e) of the SEBI Act, 1992 read with Regulations 3(a), 3(b), 3(c), 3(d), 4 (1) and 4 (2)(q) of the PFUTP Regulations. Further, in paragraph 48 of the SCN, considering the above allegations, the Noticees have been called upon to show cause as to why suitable directions, under Section 11B (1) read with Section 11 (1)of SEBI Act, should not be issued against them for the alleged violations. Additionally, the Noticees have been show-caused as to why directions for disgorgement of the wrongful gain of Rs. 34,84,605.26/-, jointly and severally, should not be issued against them. Lastly, in paragraph 49 of the SCN Noticee No. 1 viz. Kishan Vishram Nanda has been called upon to show-cause as to why appropriate directions to levy penalty under Section 11(4A) and 11B(2) read with Section 11 (1) and Section 15HA of the SEBI Act, 1992 and Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 should not be issued against him for the violations alleged.

5.8. Thus, it is evident that the SCN has clearly brought out the specific provisions of law that have allegedly been violated by the Noticees. The SCN has also brought out what directions are contemplated, and under which provisions of law. This clearly shows that the Noticees have been given notice of the directions that were contemplated in the SCN.

Issue I – Whether Noticee 1 had effected trades through the accounts of Noticees 2 to 8?

5.9. It has been alleged in the SCN that Noticee 1 had effected trades through the accounts of Noticees 2 to 8. In this regard, the SCN has also alleged that Noticees 2 to 8 were in turn connected with each other and were also related to Noticee 1.

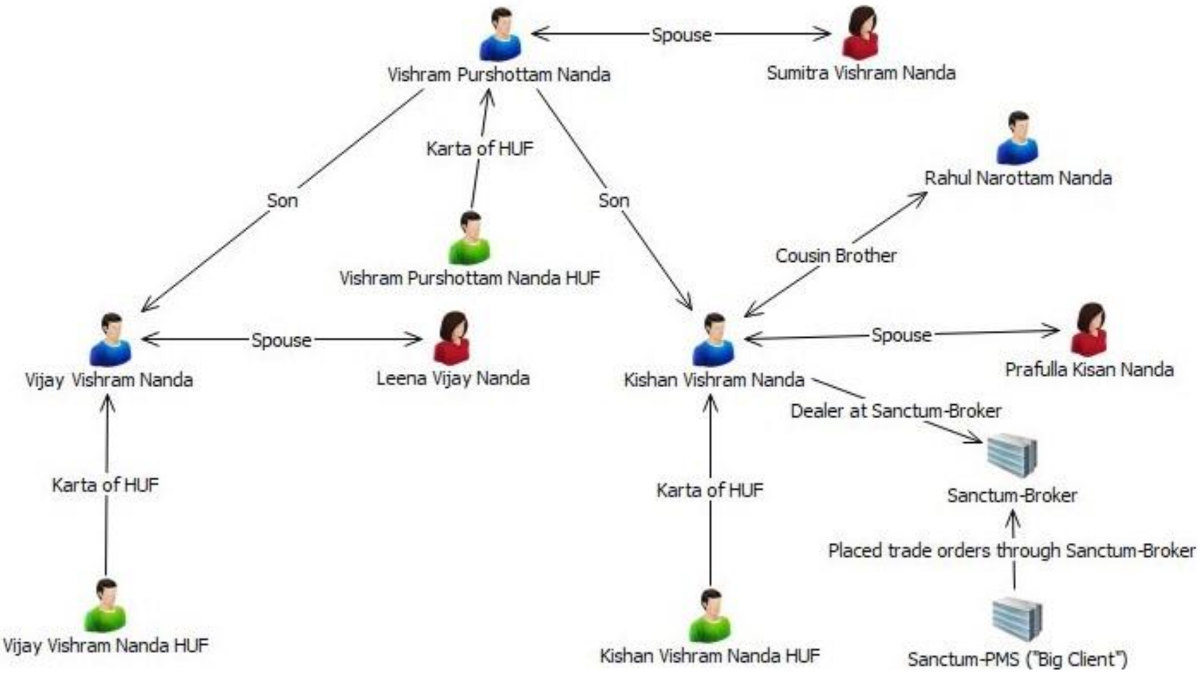
5.10. The nature of relationship existing amongst the eight Noticees and the basis upon which, such relationship has been established is detailed hereunder:

Table- 4

<table>
<tr><th>Name</th><th>PAN</th><th>Connected with</th><th>Basis of Connection</th></tr>
<tr><td>Kishan Vishram Nanda</td><td>ACPPN8761L</td><td>Big client i.e., Sanctum PMS</td><td>On the basis of the information provided by Exchanges and Sanctum, it was observed that Kishan Vishram Nanda, was one of the Equity Dealers in Sanctum-Broker and received trade orders from the Big client.</td></tr>
<tr><td>Sumitra Vishram Nanda</td><td>AGSPN3750G</td><td rowspan="7">All of them are relatives of Kishan Vishram Nanda</td><td rowspan="7">On the basis of the KYC documents (Trading A/c KYC and Bank A/c KYC), information submitted by the Noticees and bank account statements of the Noticees.
• Sumitra Vishram Nanda (Noticee 3) is the mother of Kishan Vishram Nanda (Noticee 1).
• Vishram Purshottam Nanda was the father of Kishan Vishram Nanda (Noticee 1) and the Karta of Vishram Purshottam Nanda HUF (Noticee 4).
• Kishan Vishram Nanda (Noticee 1) is the Karta of Kishan Vishram Nanda HUF (Noticee 2).
• Prafulla Kisan Nanda (Noticee 5) is the spouse of Kishan Vishram Nanda (Noticee 1).
• Vijay Vishram Nanda is the brother of Kishan Vishram Nanda (Noticee 1) and the Karta of Vijay Vishram Nanda HUF (Noticee 6).
• Leena Vijay Nanda (Noticee 7) is the spouse of Vijay Vishram Nanda i.e. sister in law of Kishan Vishram Nanda (Noticee 1).
• Rahul Narottam Nanda (Noticee 8) is the cousin brother of Kishan Vishram Nanda (Noticee 1).
• Noticees 1 to 7 have a common address i.e. “Flat No.601/602, Pride Paradise, Vrindavan Society, Thane West. Thane 400601 Maharashtra India”.</td></tr>
<tr><td>Vishram Purshottam Nanda HUF</td><td>AAKHV6605C</td></tr>
<tr><td>Kishan Vishram Nanda HUF</td><td>AAMHK2779L</td></tr>
<tr><td>Prafulla Kisan Nanda</td><td>AGZPN1155E</td></tr>
<tr><td>Vijay Vishram Nanda HUF</td><td>AAKHV5877N</td></tr>
<tr><td>Leena Vijay Nanda</td><td>AGWPN7673G</td></tr>
<tr><td>Rahul Narottam Nanda</td><td>BABPN8830M</td></tr>
</table>

Name	PAN	Connected with	Basis of Connection
			• Noticees 1 to 8 have fund transactions amongst them in their bank accounts maintained with Union Bank of India ("**UBI**").

5.11. A diagrammatic representation of the relationship existing amongst the Big Client, the IC (Noticee 1) and Noticees 2 to 8 is given below:



5.12. It is stated that orders had been placed from the trading accounts of Noticees 2 to 8 maintained with the broker i.e., GSL through internet based trading ("**IBT**") facility provided by GSL.

5.13. In this regard, GSL by way of email dated November 18, 2021 provided the connection logs (IP Addresses and MAC IDs[1]) of the Noticees for the period, December 28, 2020 to April 12, 2021. Upon perusal of the said information it was

[1] A MAC ID is a unique 12 digit hexadecimal number in 48-bits embedded in the network card of a computer during manufacturing. The MAC ID uniquely identifies each device on a network.

noted that only 2 Mac IDs viz. 48:4D:7E:BF:6C:B8 and 00:09:0F:AA:00:01 were used by four Noticees, namely, Kishan Vishram Nanda HUF (Noticee 2), Vishram Purshottam Nanda HUF (Noticee 4), Prafulla Kisan Nanda (Noticee 5) and Rahul Narottam Nanda (Noticee 8) while placing orders using IBT. The details regarding the use of the said Mac IDs are provided hereunder:

Table- 5

Mac ID used	**From Date**	**To date**	**Clients/Entities/Noticees who used the Mac ID**
48:4D:7E:BF:6C:B8	28/12/2020	18/03/2021	• Prafulla Kisan Nanda • Kishan Vishram Nanda HUF • Vishram Purshottam Nanda HUF • Rahul Narottam Nanda
00:09:0F:AA:00:01	23/03/2021	12/04/2021	• Kishan Vishram Nanda HUF • Vishram Purshottam Nanda HUF • Rahul Narottam Nanda

5.14. Additionally, by way of email dated November 23, 2021 Sanctum-Broker provided information regarding the computer used by/allotted to Kishan Vishram Nanda. The details, as received from Sanctum by way of the said email, regarding the computer assigned to Noticee 1 are given below:

Table-6

Desktop - Office	**Model**	**Mac ID**	**From Date (approx.)**	**To Date (approx.)**
1	Dell Optiplex 3050 T	48:4D:7E:BF:6C:B8	01-Jan-18	16-Mar-20
Desktop - *Working From Home*	**Model**	**Mac ID**	**From Date**	**To Date**
1	Dell Optiplex 3050 T	48:4D:7E:BF:6C:B8	11-05-20	Till date

5.15. Further, reference is made to the Statement of Kishan Vishram Nanda u/s 11C(5) of the SEBI Act recorded on November 26, 2021. In response to the query regarding the computer/laptop used by him to punch orders for Sanctum, the following was submitted by him:

"I have been working from home since March 2020 till date (due to COVID pandemic). For work from home, the same Dell desktop PC was provided by Sanctum at home as primary device for placing orders. I was also provided Dell Laptop at home as backup device. I have used this Dell desktop PC for placing orders during work from home.

I have attended office at Sanctum on certain days during Jan-Apr 2021. I took my Dell Desktop PC to office on these days."

5.16. From the above, it is observed that the Mac ID used by the aforesaid four Noticees i.e., 48:4D:7E:BF:6C:B8 was the same as the Mac ID of the desktop computer (Dell Optiplex 3050 T) allotted to/used by Kishan Vishram Nanda as Dealer at Sanctum-Broker. The said fact finds credence from the details provided by Sanctum-Broker as well as the statement of Noticee 1 given to SEBI. Thus, it is evident that the orders placed from the trading accounts of Kishan Vishram Nanda HUF (Noticee 2), Vishram Purshottam Nanda HUF (Noticee 4), Prafulla Kisan Nanda (Noticee 5) and Rahul Narottam Nanda (Noticee 8) were in fact placed from the computer of Noticee 1.

5.17. As regards the other Mac ID i.e., 00:09:0F:AA:00:01, details of which were provided by GSL, it is noted from the Investigation Report that the same appeared in the communication logs of three Noticees, namely, Kishan Vishram Nanda HUF, Vishram Purshottam Nanda HUF and Rahul Narottam Nanda. The Investigation Report further notes that, consequent to a Google search it was found that the said Mac ID i.e., 00:09:0F:AA:00:01 belonged to "Fortinet Inc." and was used by Fortinet Virtual Adapter. It is relevant to state that by way of email dated November 23, 2021 Sanctum-Broker had informed SEBI that Forti client was used for VPN access by it, and the same was also used by Kishan Vishram Nanda during the IP. Thus, from the above it is clear that the Mac ID viz. 00:09:0F:AA:00:01, captured while logging into the trading accounts through IBT to place trade orders for the three Noticees, namely, three Noticees, namely, Kishan Vishram Nanda HUF, Vishram Purshottam Nanda HUF and Rahul Narottam Nanda also emanated from Kishan Vishram Nanda.

5.18. Additionally, the Investigation Report notes that the IP Address was captured for two Noticees, namely, Kishan Vishram Nanda HUF and Rahul Narottam Nanda on several days during March 01-18, 2021. The IP address captured was 14.140.172.26 In this regard, reference is made to the email dated November 23, 2021 whereby it had been informed by Sanctum that the IP Address, 14.140.172.26 was the corporate public IP address of Sanctum, which was received and configured as part of the internet lease line procured by it from Tata Communications. It is an established fact that Kishan Vishram Nanda was employed with Sanctum-Broker. Therefore, the natural conclusion is that Kishan Vishram Nanda (Noticee 1) accessed the trading accounts of two Noticees viz. 1) Kishan Vishram Nanda HUF and 2) Rahul Narottam Nanda through IBT from his office in Sanctum-Broker.

5.19. Further, Kishan Vishram Nanda, in his statement given to SEBI has stated that—

" *All the trades were carried out by me through internet based trading (IBT) provided by the broker viz. Globalworth Securities Limited. The aforesaid trades were carried by me through my office Dell PC (in Sanctum) using IBT during the period I physically attended the office and through the same Dell PC provided by Sanctum at home during the period I was working from home. I have attended office at Sanctum on* *certain days during Jan-Apr 2021. On these days I took my Dell desktop PC to office and placed trade orders from office using this PC."*

5.20. Furthermore, reference is made to the statement of Kishan Vishram Nanda, statement of Vijay Vishram Nanda (the Karta of Vijay Vishram Nanda HUF) and the submissions made by the other Noticees, namely, Sumitra Vishram Nanda, Vishram Purshottam Nanda HUF, Prafulla Kisan Nanda, Leena Vijay Nanda and Rahul Narottam Nanda, by way of individual emails dated December 27, 2021. By way of the above submissions, it has been stated by the above Noticees that their trading accounts with GSL had been opened by Kishan Vishram Nanda and he had taken all the trading decisions and operated those trading accounts during the IP. So, it is clear that the orders placed and trades effected from the accounts of Noticees 2 to 8 were in fact carried out by Noticee 1.

5.21. Lastly, it is noted from the Investigation Report that banking transactions had been effected from the bank account of Kishan Vishram Nanda [A/c No. 619602010001625 that he held jointly with his wife Prafulla Kisan Nanda in UBI with other Noticees in the matter. Further, it is noted that he had transferred and received funds on multiple occasions to/from the below mentioned Noticees in their UBI bank accounts linked to their trading accounts that were used for the front running activity. The details of the major transactions are provided hereunder:

Table- 7

Noticee	No. of Dr. Transactions	Amount Transferred (Rs) by Kishan Vishram Nanda	No. of Cr. Transactions	Amount Received (Rs) by Kishan Vishram Nanda
Kishan Vishram Nanda HUF (A/c No. 619602010003679)	7	1210000	5	1210000
Leena Vijay Nanda (A/c No. 619602010002695)	1	300000	16	1947500
Prafulla Kisan Nanda (A/c No. 619602010001626)	2	85000	2	105000
Rahul Narottam Nanda (A/c No. 619602010004284)	-	-	2	225000
Vishram Purshottam Nanda HUF (A/c No. 619602010003782)	3	725000	2	290000
Total	**13**	**2320000**	**27**	**3777500**

5.22. In this regard, reference is made to the statement of Kishan Vishram Nanda, the statement of Vijay Vishram Nanda (Karta of Vijay Vishram Nanda HUF), and the emails dated December 27, 2021 of Sumitra Vishram Nanda, Vishram Purshottam Nanda HUF, Prafulla Kisan Nanda, Leena Vijay Nanda and Rahul Narottam Nanda. From the said submissions it is gathered that the aforesaid bank accounts were operated by Kishan Vishram Nanda and funds had been transferred by Noticee 1 into the bank accounts of the other Noticees for effecting trades.

5.23. Thus, from the aforesaid findings, it is established that –

a. the trading accounts of Noticees 3,4,5,6,7 and 8, and also Noticee 2 had been opened by Kishan Vishram Nanda;

b. the trading decisions and trading activity in respect of the said accounts were also taken by Noticee 1; and

c. Noticees 2,3,4,5,6,7 and 8 were aware of the use of their trading accounts and bank accounts by Noticee 1 for trading in the stock market.

Issue II – Whether Noticee 1 (through the accounts of Noticees 2 to 8) had front-run the impending orders of Sanctum PMS, the Big Client ?

5.24. It has already been brought out in the preceding paragraphs that Noticee 1 had effected trades through the accounts of Noticees 2 to 8. The SCN has alleged that such orders had front-run the impending orders of Sanctum PMS, the Big Client.

5.25. Before considering the issue of whether Noticee 1 (through his own account and the accounts of Noticees 2 to 9) had front-run the impending orders of Sanctum PMS, the Big Client, it would be instructive to lay out the elements constituting the contravention of front running.

5.26. In this regard, reference is made to the judgement of the Hon'ble Supreme Court in the matter of *SEBI V. Shri Kanaiyalal Baldevbhai Patel and Ors. (2017) 15 SCC 1*. The Hon'ble Supreme Court while considering the act of front-running, observed the following in the said matter:

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

Front running - Buying or selling securities ahead of a large order so as to benefit from the subsequent price move. This denotes persons dealing in the market, knowing that a large transaction will take place in the near future and that parties are likely to move in their favour. The illegal private trading by a broker or market-maker who has prior knowledge of a forthcoming large movement in prices. (Investment)

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

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

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

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

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

5.27. Thus, from the above, any trading activity to be considered as front-running should satisfy the following:

a. information regarding an impending substantial large order of an investor in a particular security that is not publicly available; and

b. order placed by the alleged front-runner in securities prior to the large order of the Big Client, while possessing the aforesaid non-public information.

5.28. As a corollary to the above, in order to establish the violation of front-running, it is required to be demonstrated that –

a. the alleged front-runner had access to non-public information about the impending orders of the Big Client; and

b. trading activity of the alleged front-runner was aligned with the trading pattern of the Big Client in such manner, so as to satisfy the ingredients of front-running.

5.29. As brought out in the preceding parts of the Order, the impugned trades had been executed by Noticee 1 from the trading accounts of Noticees No. 2 to 8. Given the said fact, the two sub-issues that emerge for consideration in the matter are:

a. Whether Noticee 1 had access to non-public information about the impending orders of the Big Client?

b. Whether the trading activity of Noticee 1 (through the accounts of Noticees 2 to 8) was aligned with the trading pattern of the Big Client in such manner, to satisfy the ingredients of front-running?

Whether Noticee 1 had access to non-public information about the impending orders of the Big Client?

5.30. It is a matter of record that Noticee 1 (Kishan Vishram Nanda) worked as dealer at Sanctum-Broker. In this regard, reference is made to the letter dated November 17, 2021 addressed by Sanctum-Broker to SEBI whereby it has been informed that the trade orders of Sanctum PMS were forwarded to the dealing desk/external brokers via email for execution. It has been brought out in the Investigation Report (on the basis of the emails sent by Sanctum-Broker for execution of trades) that large number of trade orders were communicated to Kishan Vishram Nanda as Dealer for trade execution. Further, on the basis of the trade execution data provided by Sanctum-PMS, vide email dated November 18, 2021, it has been brought out in the Investigation Report that Noticee 1 (Kishan Vishram Nanda) as Dealer for Sanctum-Broker had executed a large volume of trades in equity cash segment for Sanctum PMS during the IP. Kishan Vishram Nanda as Equity Dealer in Sanctum-Broker was privy to the information regarding impending trade orders of the Big Client in certain securities, information that was not publicly available.

5.31. Further, reference is made to the statement of Noticee 1 recorded by SEBI. It is noted from the said statement that on being queried about the rationale for trades carried out by him through the trading accounts of Noticees 2 to 8, Noticee 1 submitted that –

"Trades in certain scrips were carried out by me on the basis of my analysis and general discussions with colleagues/friends etc. However, as such scrips were in my radar and receipt of trade orders in such scrips as Dealer in Sanctum reinforced my belief in such scrips. Consequently, I took positions in such scrips on the basis of my analysis as well as the information <u>available with me as Dealer.</u>

Further, trades in few scrips were carried out me purely based on the large <u>trade orders received by me as Dealer in Sanctum</u>. I was not aware that I might be violating any securities laws through my aforesaid trading behaviour/ pattern."

5.32. Thus, it is clearly evident that Noticee 1 had access to non-public information about the impending orders of the Big Client.

Whether the trading activity of Noticee 1 (through the accounts of Noticees 2 to 8) was aligned with the trading pattern of the Big Client, in such manner, to satisfy the ingredients of front-running?

5.33. It has already been established in the preceding paragraphs that Noticee 1, in fact, had access to non-public information about the impending orders of the Big Client. Additionally, it also gathered from the statement given by Noticee 1 to SEBI that not only did he have access to non-public information about the impending orders of the Big Client but also traded through the accounts of Noticees 2 to 8 on the basis of such non-public information.

5.34. However, for the conclusive establishment of front-running, it would be relevant to analyse the trading activity of Noticee 1 (through the accounts of Noticees 2 to 8) and examine whether such trading activity was aligned with the trading pattern of the Big Client, in such manner, as to satisfy the ingredients of front-running.

5.35. Investigation has brought out that on NSE trading had happened from the accounts of Noticees 2 to 8 for 2,389 scrip days[2] during the IP, out of which there were 930 commonly traded scrip days with the Big Client. Also, the said 930 commonly traded scrip days contributed 79.35% of the Gross Traded Value ("**GTV**") done through the accounts of Noticees 2 to 8 during the IP. A summary of such trades is given below:

Table- 8

S. N.	**Dealing of FR Clients in equity segment during the IP**	**Value**
1	Total Number of scrip days	2,389
2	Number of scrip days of (1) above common with Big Client	930
3	Total (net) profit (squared off)	Rs. 52.92 Lakh
4	Total (net) profit on scrip days common with Big Client (squared off)	Rs. 37.21 Lakh
5	Total (net) profit on other days (i.e. not common with Big Client) (3-4)	Rs.15.71 Lakh
6	% of profit earned on scrip days common with Big Client to Total Profit	70.32%

5.36. Trading activity on Equity Segment of BSE – Investigation also revealed that during the IP one Noticee i.e., Vishram Purshottam Nanda HUF traded in 6 common scrip days with the Big Client amounting to the GTV of Rs.1.22 Crore at BSE. Out of 6 common scrip days, the said Noticee made gross profit of Rs. 30,155 in 5 common scrip days and incurred a loss of Rs. 17.55 in one common scrip day.

5.37. It is relevant to note that the value of trading on scrip days common with the Big Client constituted 79.35% of the total value of trading done from the accounts of Noticees 2 to 8. So, the predominant value of trading done from the accounts of Noticees 2 to 8 was on scrip days common with the Big Client. It is also relevant to note that the total (net) profit on scrip days common with Big Client was 70.32% of the total profit made from the accounts of Noticees 2 to 8 during the entire IP. Thus, from the above facts, it is clear that the trading activity in the accounts of Noticees 2 to 8 was clearly aligned with that of the Big Client.

[2] Scrip days refer to the number of days out of the total trading days when an investor had accessed the securities market.

5.38. Having demonstrated that the trading activity emanating from the accounts of Noticees 2 to 8, during the IP, was clearly aligned with that of the Big Client, it would be relevant to examine whether the trading activity was in such a manner that satisfied the ingredients of front-running.

5.39. It is stated that usually front-running is carried out with respect to the impending buy/sell orders of a big client either through the Buy-Buy-Sell ("**BBS**") pattern or the Sell-Sell-Buy ("**SSB**") pattern. In the BBS pattern, the buy order for the first leg of the intra-day trade (the front running leg) is placed from the trading account of the front-runner prior to the impending buy order of the Big Client and the second leg of the intra-day trade (squaring off of trade) is carried out by placing the sell order prior to the execution of or immediately after the execution of the buy order of the Big Client. Similarly, In the SSB pattern, the sell order for the first leg of the intra-day trade (the front running leg) is placed from the trading account of the front-runner prior to the impending sell order of the Big Client, and the second leg of the intra-day trade (squaring off of trade) is carried out by placing the buy order prior to the execution of or immediately after the execution of the sell order of the big client. So, in the above patterns, the first leg of the trades (the front running leg) is placed, prior to the placement of the impending order/s of the big client or before the last tranche of the order of the big client, and the second leg of the intra-day is placed prior to the last tranche of the order of the big client.

5.40. It is noted from the Investigation Report that Noticee 1 (through Noticees 2 to 8) had effected trades in 789 common scrip days (409 scrip days in BBS pattern and 380 scrip days in SSB pattern) with the Big Client in Equity Segment at NSE. In this regard, it would be instructive to illustrate the trading patterns adopted by Noticee 1.

5.41. Illustration 1 (NSE): Front running Trade in BBS pattern – Front running trade by Noticee 6 viz. Vijay Vishram Nanda HUF in the scrip of Aarti Industries Ltd (AARTIIND) on January 16, 2019.

Table- 9

	Front-Running Account *(Vijay Vishram Nanda HUF)*				**Big Client**			
	Total Buy Qty	Avg. Buy Price (Rs)	Value (Rs)					
	3,245	1,577.25	5,118,167					
	Buy Order Time(range)	Buy Order Price (Rs)	Buy Trade Time(range)	Buy Trade Price (Rs)				
From	12:22:10	1570	12:22:10	1568.85				
To	12:37:09	1585	12:37:32	1585				
	Total Sell Qty	**Avg Sell Price (Rs)**	**Value (Rs)**	**Matched Qty with Big Client**	**Total Buy Qty**	**Avg. Buy Price(Rs)**	**Value (Rs)**	
	3,245	1,588.09	5,153,354	3005	9,725	1,583.11	15,395,762	
	Sell Order Time(range)	Sell Order Price(Rs)	Sell Trade Time(range)	Sell Trade Price (Rs)	Buy Order Time(range)	Buy Order Price(Rs)	Buy Trade Time(range)	Buy Trade Price (Rs)
From	12:35:11	1588.7	12:35:42	1588.70	12:16:49	1570	12:26:24	1569.7
To	12:37:46	1585	12:43:04	1585	12:48.08 (LMT)	1590	12:48:08	1589

5.42. From the above illustration, it can be seen that on Jan 16, 2021, the Big Client placed buy order for 9,725 shares in the scrip of Aarti Industries Ltd (AARTIIND) between 12:16:49 and 12:48.08. It is also noted that buy orders for 3,245 shares were placed from the account of Vijay Vishram Nanda HUF (Noticee 6) between 12:22:10 and 12:37:09. Similarly, the sell orders for the sale of 3,245 shares were placed from the account of Vijay Vishram Nanda HUF (Noticee 6) between 12:35:11 and 12:37:46. Thus from the above, two things emerge:

a. buy orders for 3,245 had been placed and also executed prior to the placing of the last tranche of the Big Client's buy orders; and

b. sell orders for 3,245 had been placed (at 12:35:11) subsequent to the start of buying by the Big Client and execution of its buy orders respectively at 12:16:49 and 12:26:24.

5.43. Further, it is noted that for the 9725 shares, the Big Client's buy start price was Rs. 1569.7 and the buy end price was Rs.1573 (i.e. at an average of Rs.1580.60).The buy trades were executed by the Big Client between 12:26:24 and 12:48:08. As soon as Big Client started buying, sell trades were executed for 3245 shares between 12:35:42 and 12:43:04 from the trading account of Noticee 6. The average price at which the sell trades were executed was Rs. 1587.43. Of the 3,245 shares sold, 3005 shares matched with the Big Client. The above front-running trades of Noticee 6 had a positive square off difference of Rs. 35,187 for the Noticees.

5.44. Thus, from the above details, the BBS pattern is clearly brought out demonstrating the front-running carried out by Noticee 1.

5.45. Having considered the BBS pattern, it would be instructive to bring out the SSB pattern also. Illustration 2 (NSE): Front running Trade in SSB pattern – Front running trade by Noticee viz. Kishan Vishram Nanda HUF (inadvertently mentioned in the SCN as Vijay Vishram Nanda HUF) in the scrip of Minda Industries Limited (MINDAIND) on July 22, 2019.

Table- 10

	Front Runner *(Kishan Vishram Nanda HUF)*				Big Client			
	Total Sell Qty	Avg. Sell Price (Rs)	Value (Rs)					
	14112	278.83	39,34,884					
	Sell Order Time(range)	Sell Order Price (Rs)	Sell Trade Time(range)	Sell Trade Price (Rs)				
From	11:37:12	280.9	11:37:12	280.95				
To	13:40:33	274.5	11:51:53	274.5				
	Total Buy Qty	**Avg. Buy Price(Rs)**	**Value (Ra)**	**Matched Qty with Big Client**	**Total Sell Qty**	**Avg. Sell Price (Rs)**	**Value (Rs)**	
	14112	274.14	38,68,668	**10295**	25572	276.79	7,078,085	
	Buy order Time(range)	Buy Order Price(Rs)	Buy Trade Time(range)	Buy Trade Price (Rs)	Sell Order Time(range)	Sell Order Price(Rs)	Sell Trade Time (range)	Sell Trade Price (Rs)
From	11:39:43	278.15	11:39:49	278.15	11:35:48	280.90	11:38:45	280.95
To	13:43:11	273.15	11:55:15	273.15	11:55:42 (LMT)	274.00	11:57:37	274

5.46. From the above illustration, it can be seen that on July 22, 2019, the Big Client placed sell orders for 25572 shares in the scrip of Minda Industries Limited (MINDAIND) between 11:35:48 and 11:55:42. It is also noted that sell orders for 14,112 shares were placed from the account of Kishan Vishram Nanda HUF (Noticee 6) starting at 11:37:12 . Similarly, buy orders for the purchase of 14,112 shares were placed from the account of Kishan Vishram Nanda HUF between 11:39:43 and 13:43:11. Thus from the above, two things emerge:

a. sell orders for 14,112 had been placed prior to the placing of the last tranche of the Big Client's sell orders; and

b. buy orders for 14,112 had been placed (at 11:39:43) subsequent to the start of selling by the Big Client and execution of its buy orders respectively at 11:35:48 and 11:38:45.

5.47. Further, it is noted that for the 25,572 shares, the Big Client's sell start price was Rs. 280.95 and sell end price was Rs. 274.50 (i.e. at an average of Rs. 279.03). The sell trades for 25572 shares by the Big Client were effected between 11:38:45 and 11:57:37. The sell start price was 280.95 and sell end price was Rs. 274 (i.e. at an average of Rs. 276.67). As soon as the Big client started selling, buy trades were executed by 11:39:49 from the trading account of Kishan Vishram Nanda HUF. The average price at which the buy trades were executed was Rs. 274.86, and out of the same a total of 10295 shares matched with the Big Client. The aforesaid front running trades had a positive square off difference of Rs. 71,272.43 on 12372 shares.

5.48. Thus, from the above details, the SSB pattern is clearly brought out demonstrating the front-running carried out by Noticee 1.

5.49. Similar to the trades on NSE, it has been alleged in the SCN that Noticee 1 carried out intra-day front-running trades on 5 common scrip-days (4 scrip-days in BBS pattern and 1 scrip day in SSB pattern) with the Big Client on BSE through the trading account of Noticee 4 (Vishram Purshottam Nanda HUF).

5.50. In this regard, it would be relevant to demonstrate the trading pattern with respect to the trades carried out on BSE, through two illustrations, one each in BBS and SSB patterns.

5.51. Illustration 1 (BSE): Front-running Trade in BBS pattern – Front-running trade from the account of Noticee 3 (Vishram Purshottam Nanda HUF) in the scrip of VIP Industries Ltd (VIPIND) on September 28, 2018 in the BBS pattern with the Big Client. The details of the said trades are provided below:

Table- 11

ORDER_DATE	ORDER_TIME	ORDERNO	BUY/SELL	CLIENTNAME	RATE	QTY	AVLQTY	AUDCODE
28/09/18	11:52:19.585003	1538105400026862513	B	Sanctum Wealth Private Limited	0.00	141	141	A
28/09/18	12:04:26.237844	1538105400026941661	B	Sanctum Wealth Private Limited	0.00	318	318	A
28/09/18	12:19:09.280953	1538117078511014215	B	Sanctum Wealth Private Limited	0.00	236	236	A
28/09/18	12:29:01.161844	1538117078511043891	B	Sanctum Wealth Private Limited	0.00	138	138	A
28/09/18	13:53:57.974488	1538117078511241868	B	Sanctum Wealth Private Limited	413.05	4112	4112	A
28/09/18	13:54:24.370915	1538117078511241871	B	Sanctum Wealth Private Limited	413.25	4000	4000	A
28/09/18	**13:55:33.935090**	**1538117078511241919**	**S**	**Vishram Purshottam Nanda HUF**	**419.90**	**1500**	**1500**	**A**
28/09/18	13:55:54.962015	1538117078511241868	B	Sanctum Wealth Private Limited	417.00	4112	4112	U
28/09/18	**13:56:03.090137**	**1538117078511241987**	**S**	**Vishram Purshottam Nanda HUF**	**417.90**	**208**	**208**	**A**
28/09/18	13:56:06.918631	1538117078511241868	B	Sanctum Wealth Private Limited	418.00	4112	2931	U
28/09/18	13:56:26.545061	1538117078511241868	B	Sanctum Wealth Private Limited	418.50	4112	1559	U
28/09/18	13:56:34.052370	1538117078511241868	B	Sanctum Wealth Private Limited	420.00	4112	654	U
28/09/18	13:56:37.987656	1538117078511241871	B	Sanctum Wealth Private Limited	420.00	4000	4000	U
28/09/18	13:56:40.978905	1538117078511241871	B	Sanctum Wealth Private Limited	413.25	4000	2610	U

ORDER_DATE	ORDER_TIME	ORDERNO	BUY/SELL	CLIENTNAME	RATE	QTY	AVLQTY	AUDCODE
28/09/18	13:57:18.308734	1538117078511242140	B	Sanctum Wealth Private Limited	415.00	69	69	A
28/09/18	13:58:30.024275	1538117078511242140	B	Sanctum Wealth Private Limited	420.00	69	69	U
28/09/18	13:58:32.786992	1538117078511241871	B	Sanctum Wealth Private Limited	420.00	4000	2610	U
28/09/18	13:59:06.803279	1538117078511242140	B	Sanctum Wealth Private Limited	421.50	69	69	U
28/09/18	13:59:11.616924	1538117078511242140	B	Sanctum Wealth Private Limited	422.00	69	35	U

5.52. Kishan Vishram Nanda as Dealer of the Big Client started placing buy orders in the scrip of VIPIND for the Big Client from 11:52:19 till 13:59:11. In the first leg, it is noted from the order log that Noticee 1 started placing buy orders for himself from the trading account of Noticee 4 i.e., Vishram Purshottam Nanda HUF from 13:06:20 to 13:56:16. He purchased 1708 shares of VIPIND at average price of Rs. 415.60. In the second leg, Kishan Vishram Nanda placed sell orders at the price of Rs. 419.90 at 13:55:33 (order no. 1538117078511241919) and Rs. 417.90 at 13:56:03 (order no. 1538117078511241987), which have been highlighted in the table above.

5.53. From the above, the following emerge:

a. buy orders for 1708 shares had been placed and also executed prior to the placing of the last tranche of the Big Client's buy orders; and

b. sell orders had been placed by Noticee 1 (at 13:55:33) subsequent to the start of buying by the Big Client at 11:52:19.

5.54. Further, it is noted from the trade/order logs and the material on record that Noticee 1 modified the price for buy order no. 1538117078511241868 of the Big Client from Rs. 413.05 to Rs. 418.00 at 13:56:06 to match with the aforesaid sell order no.

1538117078511241987 that he himself was placing through the account of Noticee 4. This resulted in the 208 shares being sold from the account of Noticee 4 to the Big Client at Rs. 417.90 per share. Noticee 1 further modified the price of order no. 1538117078511241868 from Rs. 418.00 to Rs. 420.00 at 13:56:34 to match with the aforesaid sell order no. 1538117078511241919 placed through the account of Noticee 3. Consequently, 417 shares were sold to the Big Client at Rs. 419.90 per share. He also modified the price for buy order no. 1538117078511241871 of the Big Client from Rs. 413.25 to Rs. 420.00 at 13:56:37 to match with the unexecuted quantity of the aforesaid sell order i.e., order no. 1538117078511241919 placed from the account of Noticee 4. Consequently, 1083 shares were sold through the account of Noticee 4 to the Big Client at Rs. 419.90 per share.

5.55. Thus, from the above details, the BBS pattern is clearly brought out demonstrating the front-running carried out by Noticee 1 in respect of trades on the BSE.Having considered the BBS pattern, it would be relevant to bring out the SSB pattern also.

5.56. Illustration 2 (BSE): Front running trade in SSB pattern – Front running trade through the account of Noticee 3 in the scrip of Sterling Tools Limited (STERTOOLS) on July 22, 2019. The details of the said trades are provided hereunder:

Table- 12

ORDER_DATE	ORDER_TIME	ORDERNO	BUY/ SELL	CLIENTNAME	RATE	QTY	AVL QTY	AUDCODE
11/09/18	09:46:42.258589	1536636600001027089	S	Sanctum Wealth Private Limited	345.00	1000	1000	A
11/09/18	10:18:42.897830	1536636600001027089	S	Sanctum Wealth Private Limited	343.00	1000	1000	U
11/09/18	10:20:18.774017	1536636600001027089	S	Sanctum Wealth Private Limited	340.00	1000	1000	U
11/09/18	11:35:58.875183	1536636600001027122	S	Sanctum Wealth Private Limited	342.50	1000	1000	A
11/09/18	11:38:08.734307	1536636600001027122	S	Sanctum Wealth Private Limited	342.00	1000	1000	U
11/09/18	11:48:16.102478	1536636600001027189	S	Sanctum Wealth Private Limited	342.50	1000	1000	A
11/09/18	12:05:24.430637	1536636600001027212	S	Sanctum Wealth Private Limited	345.00	1179	1179	A
11/09/18	12:05:29.601642	1536636600001027213	S	Sanctum Wealth Private Limited	347.00	3500	3500	A
11/09/18	12:05:34.706184	1536636600001027214	S	Sanctum Wealth Private Limited	349.00	3500	3500	A
11/09/18	**12:08:21.707869**	**1536636600001027216**	**B**	**Vishram Purshottam Nanda HUF**	**340.15**	**2300**	**2300**	**A**
11/09/18	**12:09:02.029407**	**1536636600001027216**	**B**	**Vishram Purshottam Nanda HUF**	**340.25**	**2300**	**450**	**U**
11/09/18	**12:09:07.291169**	**1536636600001027216**	**B**	**Vishram Purshottam Nanda HUF**	**340.50**	**2300**	**450**	**U**
11/09/18	12:10:05.099029	1536636600001027212	S	Sanctum Wealth Private Limited	340.00	1179	1179	U
11/09/18	**12:10:24.780352**	**1536636600001027216**	**B**	**Vishram Purshottam Nanda HUF**	**340.65**	**2300**	**450**	**U**

ORDER_DATE	ORDER_TIME	ORDERNO	BUY/ SELL	CLIENTNAME	RATE	QTY	AVL QTY	AUDCODE
11/09/18	**12:11:57.949418**	**1536636600001027216**	**B**	**Vishram Purshottam Nanda HUF**	**340.65**	**5140**	**3290**	**U**
11/09/18	12:12:06.822542	1536636600001027214	S	Sanctum Wealth Private Limited	340.50	3500	3500	U
11/09/18	12:12:10.941212	1536636600001027213	S	Sanctum Wealth Private Limited	340.50	3500	3500	U
11/09/18	**12:12:39.390566**	**1536636600001027239**	**B**	**Vishram Purshottam Nanda HUF**	**340.10**	**660**	**660**	**A**
11/09/18	12:12:50.942610	1536636600001027241	S	Sanctum Wealth Private Limited	340.00	1000	1000	A
11/09/18	**12:38:13.213746**	**1536636600001027254**	**B**	**Vishram Purshottam Nanda HUF**	**340.15**	**2000**	**2000**	**A**
11/09/18	12:38:47.250295	1536636600001027255	S	Sanctum Wealth Private Limited	343.00	2000	2000	A
11/09/18	**12:38:53.322954**	**1536636600001027254**	**B**	**Vishram Purshottam Nanda HUF**	**340.25**	**2000**	**2000**	**U**
11/09/18	12:39:10.214236	1536636600001027258	S	Sanctum Wealth Private Limited	340.55	50	50	A
11/09/18	12:39:22.313078	1536636600001027255	S	Sanctum Wealth Private Limited	343.00	1950	1950	U
11/09/18	**12:39:36.715627**	**1536636600001027254**	**B**	**Vishram Purshottam Nanda HUF**	**340.65**	**1866**	**1866**	**U**
11/09/18	12:39:42.862619	1536636600001027255	S	Sanctum Wealth Private Limited	340.50	1950	1950	U
11/09/18	**12:41:37.261176**	**1536636600001027254**	**B**	**Vishram Purshottam Nanda HUF**	**340.65**	**2000**	**500**	**U**
11/09/18	12:42:13.826197	1536636600001027263	S	Sanctum Wealth Private Limited	343.50	3000	3000	A

ORDER_DATE	ORDER_TIME	ORDERNO	BUY/ SELL	CLIENTNAME	RATE	QTY	AVL QTY	AUDCODE
11/09/18	**12:43:15.149212**	**1536636600001027265**	**B**	**Vishram Purshottam Nanda HUF**	**340.55**	**2000**	**2000**	**A**
11/09/18	12:43:22.937897	1536636600001027263	S	Sanctum Wealth Private Limited	340.50	3000	3000	U
11/09/18	**12:43:33.438335**	**1536636600001027265**	**B**	**Vishram Purshottam Nanda HUF**	**340.65**	**2000**	**1950**	**U**
11/09/18	**12:43:39.855766**	**1536636600001027265**	**B**	**Vishram Purshottam Nanda HUF**	**340.65**	**2266**	**2216**	**U**
11/09/18	**12:43:46.974820**	**1536636600001027265**	**B**	**Vishram Purshottam Nanda HUF**	**341.00**	**2266**	**2216**	**U**
11/09/18	12:43:52.593991	1536636600001027266	S	Sanctum Wealth Private Limited	341.00	1000	1000	A
11/09/18	**12:44:24.701753**	**1536636600001027265**	**B**	**Vishram Purshottam Nanda HUF**	**341.25**	**2266**	**1216**	**U**
11/09/18	12:44:29.491024	1536636600001027267	S	Sanctum Wealth Private Limited	341.25	1000	1000	A
11/09/18	**12:44:55.245875**	**1536636600001027265**	**B**	**Vishram Purshottam Nanda HUF**	**344.00**	**2266**	**216**	**U**
11/09/18	12:45:36.639771	1536636600001027276	S	Sanctum Wealth Private Limited	342.50	1000	1000	A
11/09/18	12:45:58.897447	1536636600001027277	S	Sanctum Wealth Private Limited	342.50	1000	1000	A
11/09/18	12:57:19.162551	1536636600001027284	S	Sanctum Wealth Private Limited	342.50	2000	2000	A

5.57. Noticee 1 as Dealer of the Big Client started placing sell orders in the scrip of STERTOOLS for the Big Client from 09:46:42 till 12:57:19. In the first leg, it is noted from the order log that Noticee 1 started placing sell orders from the trading account of Noticee 3 between 12:08:05 and 12:44:14. He sold 10,066 shares of STERTOOLS at an average price of Rs. 342.50. Noticee 1 also placed 4 buy orders from the trading account of Noticee 4 in the range of Rs. 340.15 to Rs. 340.55, which were later modified, between 12:08:21 and 12:44:55.

5.58. So, from the above, the following things emerge:

a. sell orders for 10,066 shares had been placed by Noticee 1 prior to the placing of the last tranche of the Big Client's sell orders i.e., 12:57:19 ; and

b. buy orders for 10,066 shares had been placed (at 12:08:21) subsequent to the start of selling by the Big Client.

5.59. Further, it is noted from the order/trade logs that Noticee 1 modified the prices of the existing buy orders of the Big Client viz., order no. 1536636600001027212 from Rs. 345.00 to Rs. 340.00 at 12:10:05, order no. 1536636600001027214 from Rs. 349.00 to Rs. 340.50 at 12:12:06 and order no. 1536636600001027213 from Rs. 347.00 to Rs. 340.50 at 12:12:10 to match with the sell orders placed from the account of Noticee 4. Noticee 1 further added buy orders for the Big Client and modified some of them so as to match trades between the Big Client and Noticee 4 at a price lower than the average sell price of Noticee 4 in the first leg. For example: order no. 1536636600001027241 was added at Rs. 340.00, order no. 1536636600001027255 was added at Rs. 343.00 and modified to Rs. 340.50, order no. 1536636600001027263 was added at Rs. 343.50 and modified to 340.50, order no. 1536636600001027266 was added at Rs. 341.00 and order no. 1536636600001027267 was added at Rs. 341.25.

5.60. So, Noticee 1 sold 10,066 shares through the trading account of Noticee 3 in the first leg. In the second leg, he purchased 8000 shares out of 10,066 shares from the Big Client at a lower price by modifying the existing orders of the Big Client. Remaining 2,066 shares were purchased from other market players. Noticee 1 following the above *modus operandi* made an unlawful profit of Rs. 18,260.

5.61. Thus, from the above details, the SSB pattern is clearly brought out demonstrating the front-running carried out by Noticee 1.

5.62. The Noticees have made submissions challenging that they had been involved in front-running. It has been argued by the Noticees that they had earned very little profit. The fact of profit earned, or its quantum, cannot be a factor in the determination of front-running. The ingredients of front running have already been brought out in the preceding part of this Order, and, as such, would not be necessary to reiterate here. However, for convenience of reference front-running as contained in SEBI circular bearing number CIR/EFD/1/2012 dated May 25, 2012 is provided hereunder:

" front running means usage of non-public information to directly or indirectly, buy or sell securities or enter into options or futures contracts, in advance of a substantial order, on an impending transaction, in the same or related securities or futures or options contracts, <u>in anticipation that when the information becomes public; the price of such securities or contracts may change."</u> (emphasis supplied).

5.63. Thus, upon a reading of the above definition, it is clear that the actual earning of profit or its quantum is not a necessary condition for the determination of front-running. That being the case, the defence of the Noticees that on certain occasions the quantum of profit earned was not very high or none at all carries no merit.

5.64. Further, it has been contended by the Noticees that out of the total 789 instances of front-running in respect of trades executed on NSE, on 49 instances neither the buy trades nor the sell trades had matched with the Big Client. Again such a contention is superfluous and without merit. It is reiterated that front-running occurs when an entity makes a trade on the basis of non-public information regarding a large trade from an investor, which may impact the price of such security. So, for front-running to happen there is no requirement for the front-runner's trades to match with that of the Big Client.

5.65. Lastly, it has been contended by the Noticees that certain trades executed by Noticee 1 did not satisfy the BBS pattern or the SSB pattern.

5.66. The nature of BBS and SSB trading patterns and their significance in determination of front-running have already been elaborated in the preceding paragraphs. However, for convenience of reference the nature of BBS and SSB trading patterns are provided hereunder.

5.67. In the BBS pattern, the Front Runner by using non-public information regarding an impending buy order of the Big Client places his buy order before the last tranche of the big client's buy order. The Front Runner starts selling his shares, with the anticipation that there would be an increase in the price of the scrip, during/post the Big Client's buy trades. Similarly, in the SSB pattern, the Front Runner by using non-public information regarding an impending sell order of the Big Client places his sell order before the last tranche of the big client's sell order. The Front Runner starts buying shares in that scrip, with the anticipation that there would be a decrease in the price of the scrip, during/post the Big Client's sell trades.

5.68. Thus, to summarise :

a. For the BBS pattern to emerge – i) the front runner should have placed orders for buying of shares before the buy order of the Big Client or during the buy order of the Big Client, but not later than the last tranche of the buy order of the Big Client; and ii) the front runner should have sold the shares bought by him immediately prior to the execution or after the execution of the buy order of the Big Client.

b. For the SSB pattern to emerge – i) the front runner should have placed its sell order for shares before the sell order of the Big Client or during the sell order of the Big Client, but not later than the last tranche of the sell order of the Big Client; and ii) the front runner should have placed buy order immediately prior to the execution or after the execution of the sell order of the Big Client.

5.69. Upon an application of the above-mentioned principles to the arguments made by the Noticees, it is noted that either the BBS pattern or the SSB pattern is prevalent on all instances (789 instances on NSE and 5 instances on BSE). That being the case, the defence of the Noticees that certain instances did not satisfy either the BBS pattern or the SSB pattern is without merit.

5.70. Thus, from the facts that have emerged, it is clear that the Noticee 1 had front run the trades of the Big Client during the IP. In this regard, reference is drawn from Section 12A (a), (b) and (c) SEBI Act and Regulation 3(a),(b),(c),(d) and 4 (1) of the PFUTP Regulations. The above provisions prohibit deceptive and misleading practices in the securities market. The facts demonstrate that Noticee 1 through his acts has clearly indulged in activities proscribed by Section 12A (a),(b), (c) & (e) of SEBI Act, 1992 read with Regulation 3(a), 3(b), 3(c), 3(d), 4 (1) of the PFUTP Regulations. Further 4 (2)(q) of the PFUTP Regulations specifically deals with the issue of front-running, and specially makes such practice manipulative and fraudulent.

5.71. Further, as already brought out, Noticee 1 was able to front-run the trades of the Big Client due to the aid and active support of Noticee 2 (Kishan Vishram Nanda HUF), Noticee 3 (Sumitra Vishram Nanda), Noticee 4 (Vishram Purshottam Nanda HUF), Noticee 5 (Prafulla Kisan Nanda), Noticee 6 (Vijay Vishram Nanda HUF), Noticee 7 (Leena Vijay Nanda) and Noticee 8 (Rahul Narottam Nanda). It has been contended by Noticees 3 to 8 that they had no role in the trading decisions or even the control of the trading accounts. It is stated that Noticees 3 and 8 cannot be absolved of responsibility by simply stating that their accounts were operated by Noticee 1 and they were not beneficiaries of the illegal gains made. Noticees 3 to 8 had provided the essential tools for Noticee 1 to front-run the trades of Sanctum PMS, and camouflage it. Accordingly, Noticees 2 to 8 have also violated Section 12A (a),(b), (c) & (e) of SEBI Act, 1992 read with Regulation 3(a), 3(b), 3(c), 3(d), 4 (1) and 4 (2)(q) of the PFUTP Regulations.

Issue III – What is the amount of illegal gains made by the Noticees?

5.72. It has been alleged in the SCN that pursuant to the front-running of the trades of Sanctum-PMS, the Noticees had made total gains of Rs. 34,84,605.26. The details of the same are provided hereunder:

Table – 13

Name of Noticee	**PAN**	**Scrip Days**	**Total unlawful Profit (Rs.)**
Kishan Vishram Nanda HUF	AAMHK2779L	162	8,09,621.18
Leena Vijay Nanda	AGWPN7673G	105	4,64,773.04
Prafulla Kisan Nanda	AGZPN1155E	37	1,45,161.12
Rahul Narottam Nanda	BABPN8830M	30	1,12,937.95
Sumitra Vishram Nanda	AGSPN3750G	198	7,92,819.82
Vijay Vishram Nanda HUF	AAKHV5877N	40	2,95,958.80
Vishram Purshottam Nanda HUF	AAKHV6605C	222	8,63,333.35
Total		**794**	**34,84,605.26**

5.73. The Noticees have contended that trading in scrips also included brokerage, STI, stamp duty and other charges, which as per the Noticees came to approximately Rs 5.30 lakh. It has been submitted by the Noticees that the total amount of the above-mentioned charges should be deducted while calculating the alleged profit.

5.74. It is stated that front-running as a practice in the securities market is prohibited. The same has been clearly established in a catena of cases, including the judgement of the Hon'ble Supreme Court in *SEBI V. Shri Kanaiyalal Baldevbhai Patel and Ors.*, which has been referred to in the present order also. That being the case, any cost incurred for carrying out a proscribed act cannot be considered for deduction from the illegal gains made, consequent to such proscribed act. Therefore, the claim of the Noticees for deduction of brokerage, charges etc. incurred by them from the total amount of illegal gains made is without any merit.

5.75. Thus, the total illegal gains made by the Noticees by front-running the trades of Sanctum-PMS is Rs. 34,84,605.26.

6. Conclusion –

6.1. From the facts brought out in the previous parts of the Order, it is clear that Noticee 1 had placed orders through the trading accounts of Noticees 2 to 8, and he was instrumental in the front-running of the trades of Sanctum-PMS thereby violating the provisions of the PFUTP Regulations. Noticees 2 to 8 were instrumental in providing their accounts by way of which Noticee 1 was able to carry out front-running trades. So, because of the active participation of Noticees 2 to 8 in the said scheme of front-running, they have also been held to have violated the provisions of the SEBI Act and the PFUTP Regulations. However, it is acknowledged that front running activity was undertaken by Noticee 1, and, as such, the directions shall reflect the different roles played by Noticee 1 and Noticees 2 to 8.

6.2. It has been clearly brought out in the preceding paragraphs that Noticee 1 placed orders from the trading accounts of Noticees 2 to 8. Such trades were in the nature of front-running trades and as a consequence a total of Rs. 34,84,605.26 was made as illegal gains.

6.3. It has been informed by the Noticees that Vishram Purshottam Nanda passed away on February 21, 2022. In this regard, a true copy of the death certificate issued by the Municipal Corporation of the City of Thane has been provided. Additionally, it is noted that the Vishram Purshottam Nanda HUF of which Vishram Purshottam Nanda was the Karta has also been dissolved. A copy of the Dissolution Deed dated December 28, 2022 whereby the existing co-parceners i.e., Vijay Vishram Nanda and Kishan Vishram Nanda decided to dissolve Vishram Purshottam Nanda HUF has also been provided by the Noticees.

6.4. It is noted that no monetary penalty has been contemplated in respect of Noticees 2 to 8, which includes Noticee 4 (Vishram Purshottam Nanda HUF) in the SCN. It is also noted that Noticee 4 (Vishram Purshottam Nanda HUF) stands dissolved with effect from December 28, 2022. Accordingly, no directions are proposed in respect of Noticee 4.

6.5. Further, it has been submitted by the Noticees that 'strict' evidence should be adduced for establishing the contravention of fraud. In support of the said contention the Noticees have also relied upon various judgments, which have been listed in this

Order and do not require further reiteration. I note that the findings in respect of the Noticees' roles and the evidence upon which such findings have been arrived have already been elaborated in the previous parts of this Order. However, since a specific issue regarding the strength of the evidence has been raised by the Noticees, it becomes germane to provide an account of the evidence and whether the same satisfies the prevailing evidentiary rule relating to securities law.

6.6. In this context, reference is made to the judgement of the Hon'ble Supreme Court in the matter of *Securities and Exchange Board of India v. Kishore R. Ajmera [AIR 2016 SC 1079]*, wherein the Supreme Court has held that "*The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned….*" Thus, it is trite law that the evidentiary principle for a quasi-judicial proceeding for adjudication of violations under the SEBI Act and regulations made thereunder, including the PFUTP Regulations, is preponderance of probabilities. The principle of preponderance of probabilities, to put it simply, envisages that for a fact to be established it must be the preponderant probability on the weighing of all possible probabilities.

6.7. It would be relevant to summarise the findings in this Order, as brought out in the preceding paragraphs:

a. Noticee 1 had access to non-public information about the impending orders of the Big Client;

b. Noticee 1 had effected trades through the accounts of Noticees 2 to 8;

c. the value of trading effected by Noticee 1, through the accounts of Noticees 2 to 8, on scrip days common with the Big Client constituted 79.35% of the total value of trading done from the accounts of Noticees 2 to 8;

d. the total (net) profit on scrip days common with the Big Client was 70.32% of the total profit made from the accounts of Noticees 2 to 8 during the whole of the IP; and

e. the trading activity of Noticee 1 (through the accounts of Noticees 2 to 8) was aligned with the trading of the Big Client in the BBS pattern or SSB pattern.

6.8. It has been argued by Noticee 1 that the trades entered into were as a result of the independent analysis undertaken by him. This is at best a facile and specious argument. I note that this argument cannot satisfactorily explain the modification of the Orders of the Big Client by Noticee 1, who happened to be a dealer of those orders, so as to match with the orders placed by him through Noticees 2 to 8.

6.9. Thus, from the summary of findings in the aforesaid paragraphs, it is clear that of all possible probabilities the preponderant probability is that Noticee 1 had front-run the trades of the Big Client. The evidence adduced is overwhelming and leaves no doubt regarding front-running carried out by Noticee 1 in connivance with Noticees 2 to 8, and the concomitant violation of the provisions of the SEBI Act and the PFUTP Regulations.

6.10. In view of the same, the SCN has contemplated appropriate directions under Sections 11(1), 11 (4), 11B (1) of the SEBI Act, 1992 against all the Noticees for the aforesaid violations. Also, the SCN has contemplated directions under Sections 11 (4A) and 11B (2) of the SEBI Act read with Rule 4 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 imposing monetary penalty as stated in Section 15HA of the SEBI Act in respect of Noticee 1.

6.11. It would be, therefore, relevant to place hereunder the extracts of the appropriate penalty provisions for facility of reference:

Penalty for fraudulent and unfair trade practices. Section 15HA of SEBI Act, 1992: "*If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*"

6.12. Upon a consideration of the aforementioned penalty provision, I find that Section 15 HA has been invoked for fraudulent and unfair trade practices indulged by Noticee 1. It has already been brought out that the fraudulent and unfair trade practice in this case is the front running carried out by Noticee 1, through the accounts of Noticees 2 to 8. The previous parts of this Order contain findings in unequivocal terms demonstrating front-running by Noticee 1 through the account of Noticees 2 to 8. I, therefore, find that penalty under Section 15 HA is clearly attracted.

6.13. It is relevant to mention here that for the imposition of penalty under the provisions of the SEBI Act, 1992, guidance is provided by Section 15J of the SEBI Act,1992. The said provision reads,

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

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

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

(c) the repetitive nature of the default.

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

6.14. Additionally, reference is made to the case of *Adjudicating Officer, Securities and Exchange Board of India V. Bhavesh Pabari* whereby the Supreme Court has held, *"…if the penalty provisions are to be understood as not admitting of any exception or discretion and the penalty as prescribed in Section 15-A to Section 15-HA of the SEBI Act is to be mandatorily imposed in case of default/failure, Section 15-J of the SEBI Act would stand obliterated and eclipsed. Hence, the question referred. Sections 15-A(a) to 15-HA have to be read along with Section 15-J in a manner to avoid any inconsistency or repugnancy.*"

6.15. In view of the above-mentioned facts, I have also considered the factors provided in Section 15 J of the SEBI Act.

6.16. In consideration of the above, I shall now proceed with the directions and imposition of monetary penalties.

7. Directions and Monetary Penalties–

7.1. I, in exercise of powers conferred upon me under Sections 11(1), 11(4), 11(4A), 11B (1) and 11B (2) of the SEBI Act hereby pass the following directions: -

7.1.1. Noticee 1 is restrained from accessing the securities market, and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly for a period of **3 years**.

7.1.2. Noticee 1 is restrained from holding any position of Director or key managerial personnel in any listed company or any intermediary registered with SEBI, or associating himself with any listed public company or a public company which intends to raise money from the public or any intermediary registered with SEBI, in any capacity, for a period of **3 years**.

7.1.3. Noticee 1 is imposed with monetary penalty as specified hereunder:

Provisions under which penalty imposed	**Amount of Penalty (Rs.)**
Section 15 HA of the SEBI Act	5 lakh
Total	**5 lakh**

7.1.4. Noticee 1 is directed to pay the penalty as detailed above within forty-five (45) days from the date of service of this order through online payment by using the pathway: www.sebi.gov.in/ENFORCEMENT → Orders → Orders of Chairman/ Members → Click on PAY NOW or by using the web link: https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html. Noticee 1 shall forward the details/confirmation of penalty so paid through e-payment to “The Deputy General Manager, ID 11 – Investigations Department, Securities and Exchange Board of India, SEBI Bhavan II, Plot no. C -7, "G" Block, Bandra

Kurla Complex, Bandra (E), Mumbai-400051" in the format given in the table below:

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

7.1.5. Noticees 2, 3, 5, 6, 7 and 8 are restrained from accessing the securities market, and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly for a period of **1 year**.

7.1.6. Noticees 3, 5, 7 and 8 are restrained from holding any position of Director or key managerial personnel in any listed company or any intermediary registered with SEBI, or associating themselves with any listed public company or a public company which intends to raise money from the public or any intermediary registered with SEBI, in any capacity, for a period of **1 year**.

7.1.7. Noticees 1,2,3,5,6,7 and 8 are directed, jointly and severally, to disgorge a sum of Rs. 34,84,605.26 along with an interest at the rate of 12% simple interest per annum (computed from the last front-running date i.e., October 16, 2020 till the date of actual payment) within a period of 45 days from the date of receipt of this Order, to the Investor Protection and Education Fund. An intimation regarding the payment of the said disgorgement amount shall be sent to "The Deputy General Manager, ID 11 – Investigations Department, Securities and Exchange Board of India, SEBI Bhavan II, Plot no. C -7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai-400051".

7.2. The obligation of the aforesaid debarred Noticees, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognised stock exchange(s), as existing on the date of this Order, can take place notwithstanding 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, notwithstanding the restraint/prohibition imposed by this Order.

7.3. The SCN is disposed of in respect of Noticee 4 without any directions.

7.4. The above directions shall come into force with immediate effect.

7.5. A copy of this order shall be served upon the Noticees immediately. A copy shall be served on the recognised Stock Exchanges and the Depositories for necessary action.

Place: Mumbai **ASHWANI BHATIA**

Date: January 31, 2024 **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA