National Stock Exchange of India

Circular

Department: Investigation	
Download Ref No: NSE/INVG/61317	Date: March 26, 2024
Circular Ref. No: 300/2024	

To All NSE Members,

Sub: **Final order in the matter of front running activities by Shila Devi**

This is with reference to in respect of SEBI Order No. QJA/GR/IVD/ID4/30170/2023-24 dated March 26, 2024, wherein SEBI has restrained following entities from buying, selling or otherwise dealing in securities (including units of mutual funds), directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of Three year, from the date of this order.

Sr. no.	Name of Entity	PAN
1	Rohit Mankotia	ANUPM8322L
2	Shila Devi	DLAPD7961K

Further, SEBI vide above order has directed that all open positions, if any, of above entities in the F&O segment of the recognized stock exchange(s) are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.

The order comes into force with immediate effect.

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

Further, the consolidated list of such entities is available on the Exchange website http://www.nseindia.com home page 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.

National Stock Exchange of India

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

For and on behalf of
National Stock Exchange of India Limited

Sandesh Sawant
Senior Manager

ANNEXURE: Final order in the matter of front running activities by Shila Devi

QJA/GR/IVD/ID4/30170/2023-24

SECURITIES AND EXCHANGE BOARD OF INDIA
FINAL ORDER

UNDER SECTION 11(1), 11(4), 11(4A), 11B(1) and 11B(2) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 4 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of:

S.No.	Noticee Name	PAN No.
1.	**Rohit Mankotia**	**ANUPM8322L**
2.	**Shila Devi**	**DLAPD7961K**

1. Securities and Exchange Board of India **("SEBI")** conducted an investigation into trading activities of the Noticee No.1 and 2 (collectively referred to as **"Noticee(s)"**) during the period from July 01, 2021 to June 30, 2022 **("Investigation Period" or "IP")** to ascertain violation, if any, of the provisions of the Securities and Exchange Board of India Act, 1992 **("SEBI Act")**, the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 **("PFUTP Regulations")**.

2. Based on findings of investigation, show- cause notice dated September 11, 2023 (**"SCN"**) was issued to the Noticee(s) which, inter-alia, stated as follows: -
   a) Notice No. 2, who was living in Una, Himachal Pradesh, opened a bank account bearing no. '05060xxxx732' with ICICI Bank in February 2020. Noticee No.1, who is son of Noticee No.2, was made nominee in the said bank account. Till July 2021, the said bank account of Noticee No.2 had no major transactions.

   b) Noticee No.2 had trading account with broker (5 Paisa). Noticee No.2 bank account no. 05060xxxx732 was linked to her said trading account. '8627xxx324' is mentioned as mobile number of Noticee No.2 in KYC records of the said trading account. During IP, orders in trading account of Noticee No.2 were placed online.

c) Noticee No.1 was employed in Radico NV Distilleries. He held SBI Bank account no. 335xxxx4448, wherein, he used to receive monthly credit of salary from Radico NV Distilleries. Noticee No. 1 was on deputation to Sapphire Intrex Limited **("Big Client"/"Sapphire")**. Sapphire is promoter of Radico Khaitan Limited **("RKL").** Sapphire held 33.95% equity shares of RKL.

d) Following were authorized persons of Sapphire for taking investment decisions to invest on its behalf: -

Table 1: Authorized persons taking investment decisions for Sapphire

Sl. No.	Name	Designation
1	Mr. Abhishek Khaitan	Share Holder
2	Mr. Mukesh Agarwal (retired on August 31, 202	Authorized Signatory
3	Mr. Sunil Gupta (with effect from March, 2022)	Authorized Signatory

e) Mr. Sunil Gupta was employed in RKL as its Vice President – Finance. He was on deputation Sapphire to look after Sapphire`s financial and investment matters. Sapphire`s working office is located at B-1/J-1, 1st Floor, Rear Portion, Mohan Cooperative Industrial Area, Mathura Road, New Delhi-110044. Computers were located at the said address of Sapphire. There was no restriction on persons working in trading room of Sapphire at the said address on use of web-based emails and other internet website for personal use.

f) Mr. Sunil Gupta`s work profile was to oversee investments of Sapphire, which included evaluating various investment opportunities across various asset classes. Vide reply dated May 15, 2023, he submitted that his team members were namely, Ajay Rungta, Sher Singh, Chetan Jain, **Rohit Mankotia (Noticee no. 1)**, Gaurav Singhal and Devendar Sharma. Noticee

No. 1 is technical analyst whose role was to analyse companies on technical parameters. He was reporting to Sunil Gupta.

g) Sunil Gupta in his statement dated May 22, 2023, inter-alia, stated as follows :-

i. Among his team members reporting to him, Rohit Mankotia (Noticee no. 1) is a technical analyst who provides views in terms of technical analysis along with news flows on international market, public announcements and corporate announcements.

ii. With regard to placing order for trade, the investment team comprising of Abhishek Khaitan, Mukesh Agarwal (now retired) and Sunil Gupta would generally identify sectors, which look appropriate for investments, do some fundamental analysis. Then, the investment team used to take support from Chetan Jain and/or Rohit Mankotia (Noticee No.1), both of whom are research analysts, for the purpose of taking their views on technical side and/or any recent corporate or public announcements.

iii. Once the investment team identifies the trade, it is communicated to Chetan Jain and/or if he is not available, to Rohit Mankotia, both of whom, in either case advise Gaurav Singhal (dealer) to place the order with the broker depending on the limits available.

iv. Once the order is communicated to Mr. Chetan Jain and/or Mr. Rohit Mankotia (Noticee no. 1) and the same is advised for trade, all the people who sit in the trading floor viz. Chetan Jain, Rohit Mankotia (Noticee no. 1), Gaurav Singhal and Devender Sharma, would come to know about the trade.

v. All the person(s) in trading room carry mobile phones and Chetan Jain and Rohit Mankotia (Noticee no. 1) have been allotted laptops by office, which they carry inside the trading floor.

vi. The general websites can be accessed through the internet LAN Connections on the devices in the trading floor. Further, to best of his knowledge, the terminals are connected to the LAN.

vii. With regard to layout/sitting arrangement of the trading floor, the trading floor has two entrances, one being from the main entrance side and other from the senior executive's cabin. As someone enter from the main entrance side in the trading floor, there are three cubicles/partitions on the right side. The first partition remains empty, second and third is occupied by Chetan Jain and Rohit Mankotia (Noticee no. 1) respectively. On the left side of the wall from the main entrance side door, trading terminals are placed, where Mr. Gaurav Singhal and Mr. Devender Sharma sits.

h) In support of his statement, Sunil Gupta has shared a video of the floor plan/ sitting arrangement of the trading floor. Sunil Gupta has submitted an undertaking vide email dated May 31, 2023 stating that the said video (included in CD) is procured legitimately and the same is provided from his own mobile device having mobile no. 9811xxxx72.

i) Noticee No. 1 in his statement dated June 22, 2023, inter-alia, stated as follows: -

i. He trades through trading account of Noticee no. 2 with 5 Paisa and operates the bank account linked to trading account of Noticee no. 2. He trades on basis of charts and trades daily, multiple times. He uses mobile to place the trades. He uses Wi-Fi network of office, but not for trading.

ii. He is an employee of Radico NV Distilleries since 2017 and his work is related to technical analysis of stocks for Sapphire.

iii. He is not fully aware about the process of placing of orders by Sapphire. Sometimes, Mukesh Agarwal/ Sunil Gupta places the orders directly with the dealer or some of the orders are routed through Chetan Jain.

However, Noticee no. 1 comes to know about certain orders being placed/to be placed. His trades may match to trades of Sapphire; however, it is not intentional. Further, w.r.t. seating arrangement at his workplace, Noticee no. 1 has stated that he sits in a hall/room along with Chetan Jain and dealer (Gaurav Singhal).

j) Noticee no. 1 was operating the trading account as well as linked bank account of Noticee no. 2. Noticee No. 1 used to sit in the same room/hall with the dealer who placed trades for Sapphire. The Noticee No 1 was aware of impending orders of Sapphire. Noticee No. 1, being aware of impending orders of Sapphire, was using this advance information of trades of Sapphire to place his own trades from trading account of Noticee no. 2, leading to front running **("FR")** the trades of Sapphire.

k) Vide email dated June 15, 2023, Sapphire has, inter-alia, submitted that it was/is using two internet connections at the relevant time - one was/is running with a Static IP 180.151.11.198, and other was/is a broadband connection which uses PPPoE protocol, which works on dynamic IP's, where no fixed IP has been provided to them, and the IP keeps changing at regular intervals whenever either connection is disconnected or lease time of ISP expires.

l) Front Running trades were executed in the account of Noticee no. 2 against the trades of Big Client on NSE platform in both equity and equity derivative segment.

m) In equity segment, 107 FR instances were observed in the account of Noticee No.2. Out of 107 FR instances, in 67 instances, Sapphire as a big client has contributed greater than or equal to 2% of total traded quantity in the scrip on that day and also, in 82 instances, Sapphire had order size of greater than or equal to 10,000 shares which in the instant case is considerable in volume. Orders of Sapphire were of substantial quantities, which had the potential to make an impact on the price movement of those particular scrips upon their placement. FR instances in NSE equity segment are tabulated as under:

Table 2: FR instances in NSE equity segment

SN	Date of FR trade	Scrip Code	Total Traded quantity in scrip	Buy Quantity of FR	Sell Quantity of FR	Pattern (BBS/ SSB)	Buy/Sell quantity of Big client	Size of the BC order vs total traded quantity in scrip
1)	13/07/2021	SCI	45,30,878	3,250	3,250	SSB	50,000	1.10%
2)	19/07/2021	IBREALEST	8,04,73,782	7,000	7,000	BBS	2,00,000	0.25%
3)	22/07/2021	APLAPOLLO	3,12,520	800	800	BBS	5,000	1.60%
4)	27/07/2021	CAMLINFINE	6,97,627	7,000	7,000	SSB	6,000	0.86%
5)	28/07/2021	IRCON	21,25,803	34,000	34,000	SSB	1,50,000	7.06%
6)	29/07/2021	IRCON	18,69,926	45,300	45,300	SSB	3,00,000	16.04%
7)	29/07/2021	SUNTV	33,62,554	5,830	5,830	BBS	40,000	1.19%
8)	02/08/2021	CAMLINFINE	8,06,923	9,616	9,616	SSB	12,500	1.55%
9)	02/08/2021	IRCON	44,98,871	53,581	53,581	SSB	3,93,000	8.74%
10)	11/08/2021	IBULHSGFIN	2,20,47,835	5,000	5,000	BBS	1,50,000	0.68%
11)	12/08/2021	HERANBA	12,70,491	1,200	1,200	BBS	10,000	0.79%
12)	13/08/2021	CAMLINFINE	6,81,782	900	900	BBS	12,500	1.83%
13)	13/08/2021	HERANBA	19,16,119	54,449	54,449	SSB	81,500	4.25%
14)	16/08/2021	HCG	4,37,286	500	500	BBS	5,000	1.14%
15)	16/08/2021	HERANBA	3,32,308	1,000	1,000	BBS	2,500	0.75%
16)	17/08/2021	ALLCARGO	93,60,121	15,000	15,000	BBS	52,050	0.56%
17)	17/08/2021	IBULHSGFIN	49,91,541	17,000	17,000	BBS	75,000	1.50%
18)	18/08/2021	APOLLOPIPE	1,71,37,291	20,500	20,500	SSB	2,50,000	1.46%
19)	18/08/2021	IBULHSGFIN	7,57,764	3,100	3,100	SSB	10,000	1.32%
20)	18/08/2021	SHILPAMED	3,17,540	4,000	4,000	SSB	20,000	6.30%
21)	18/08/2021	SUNTV	1,19,187	1,183	1,183	SSB	3,000	2.52%
22)	20/08/2021	SHILPAMED	52,18,785	10,000	10,000	BBS	1,00,000	1.92%
23)	23/08/2021	SUNTV	10,80,933	11,453	11,453	SSB	15,200	1.41%
24)	03/09/2021	ALLCARGO	15,52,409	6,000	6,000	SSB	75,000	4.83%
25)	03/09/2021	SHILPAMED	7,58,038	8,000	8,000	BBS	35,000	4.62%
26)	13/09/2021	APLAPOLLO	3,82,968	500	500	SSB	3,500	0.91%
27)	13/09/2021	POONAWALLA	33,23,287	1,000	1,000	BBS	20,000	0.60%
28)	15/09/2021	CONFIPET	14,97,295	6,000	6,000	BBS	50,000	3.34%
29)	16/09/2021	SUNTV	11,40,834	6,700	6,700	SSB	35,000	3.07%
30)	17/09/2021	SUNTV	16,56,294	4,700	4,700	SSB	5,000	0.30%
31)	28/09/2021	APOLLOPIPE	3,53,361	500	500	SSB	9,900	2.80%
32)	28/09/2021	HERANBA	35,182	550	550	BBS	1,500	4.26%
33)	01/10/2021	APTECHT	3,56,741	2,500	2,500	BBS	10,000	2.80%
34)	01/10/2021	DELTACORP	4,97,05,903	3,000	3,000	BBS	10,000	0.02%
35)	04/10/2021	APTECHT	2,20,155	2,500	2,500	BBS	10,000	4.54%
36)	05/10/2021	SHILPAMED	7,78,492	6,100	6,100	BBS	20,000	2.57%
37)	11/10/2021	SHILPAMED	12,21,034	5,000	5,000	BBS	25,000	2.05%
38)	14/10/2021	INFIBEAM	4,71,19,361	40,000	40,000	BBS	13,00,000	2.76%
39)	14/10/2021	UNIONBANK	1,68,84,448	35,000	35,000	BBS	6,75,000	4.00%
40)	19/10/2021	IBULHSGFIN	4,09,39,521	20,000	20,000	BBS	2,25,300	0.55%
41)	28/10/2021	APTECHT	14,02,045	8,000	8,000	BBS	50,000	3.57%
42)	01/11/2021	DHANI	28,48,742	60,000	60,000	BBS	1,00,000	3.51%
43)	02/11/2021	UNIONBANK	3,03,14,966	1,30,000	1,30,000	BBS	5,00,000	1.65%
44)	10/11/2021	DHANI	20,37,488	15,000	15,000	BBS	75,000	3.68%
45)	12/11/2021	DHANI	23,65,813	7,000	7,000	BBS	95,000	4.02%
46)	12/11/2021	ESCORTS	15,80,681	11,000	11,000	SSB	1,75,000	11.07%
47)	23/11/2021	APTECHT	71,37,567	13,000	13,000	BBS	1,60,000	2.24%
48)	23/11/2021	ESCORTS	1,73,66,983	5,000	5,000	BBS	1,00,000	0.58%
49)	23/11/2021	GLENMARK	6,22,286	15,500	15,500	BBS	50,000	8.03%
50)	23/11/2021	GPIL	10,25,527	10,047	10,047	BBS	1,00,000	9.75%
51)	23/11/2021	IBREALEST	20,18,204	1,000	1,000	SSB	39,000	1.93%
52)	25/11/2021	GLENMARK	23,32,661	6,000	6,000	BBS	25,000	1.07%
53)	26/11/2021	PGEL	1,17,202	1,000	1,000	BBS	6,000	5.12%
54)	29/11/2021	APTECHT	2,01,890	7,000	7,000	BBS	9,434	4.67%
55)	30/11/2021	INFIBEAM	33,29,628	20,000	20,000	SSB	6,75,000	20.27%
56)	01/12/2021	GLENMARK	20,75,911	5,100	5,100	SSB	60,000	2.89%
57)	03/12/2021	GLENMARK	4,30,17,258	35,000	35,000	BBS	5,15,000	1.20%
58)	03/12/2021	IBULHSGFIN	13,64,719	11,000	11,000	SSB	70,000	5.13%

SN	Date of FR trade	Scrip Code	Total Traded quantity in scrip	Buy Quantity of FR	Sell Quantity of FR	Pattern (BBS/ SSB)	Buy/Sell quantity of Big client	Size of the BC order vs total traded quantity in scrip
59)	03/12/2021	SHILPAMED	1,62,622	5,000	5,000	SSB	50,000	30.75%
60)	08/12/2021	IBULHSGFIN	1,55,01,651	33,926	33,926	SSB	50,000	0.32%
61)	09/12/2021	GPIL	52,64,146	66,525	66,525	BBS	50,000	0.95%
62)	09/12/2021	GRANULES	2,02,007	4,920	4,920	SSB	10,000	4.95%
63)	10/12/2021	GPIL	2,79,93,965	1,86,694	1,86,694	SSB	15,00,000	5.36%
64)	10/12/2021	UNIONBANK	2,10,121	6,000	6,000	SSB	3,000	1.43%
65)	13/12/2021	GPIL	2,55,275	3,000	3,000	SSB	30,000	11.75%
66)	14/12/2021	GPIL	2,13,346	7,290	7,290	SSB	10,000	4.69%
67)	15/12/2021	GPIL	2,74,699	18,831	18,831	SSB	20,000	7.28%
68)	16/12/2021	DHANI	2,32,379	7,992	7,992	SSB	10,500	4.52%
69)	16/12/2021	GPIL	49,35,582	88,539	88,539	BBS	1,60,000	3.24%
70)	17/12/2021	CANBK	2,10,462	6,441	6,441	SSB	20,000	9.50%
71)	17/12/2021	DHANI	44,52,334	50,000	50,000	SSB	1,50,000	3.37%
72)	17/12/2021	GPIL	95,13,709	25,000	25,000	SSB	1,50,000	1.58%
73)	21/12/2021	GPIL	2,17,464	2,607	2,607	SSB	10,000	4.60%
74)	24/12/2021	GPIL	1,70,314	774	774	SSB	10,000	5.87%
75)	27/12/2021	GPIL	2,00,150	2,605	2,605	SSB	28,000	13.99%
76)	29/12/2021	IBREALEST	84,53,946	75,601	75,601	BBS	3,50,000	4.14%
77)	29/12/2021	IBULHSGFIN	84,30,706	65,000	65,000	SSB	3,99,500	4.74%
78)	03/01/2022	GPIL	2,52,915	3,862	3,862	SSB	11,733	4.64%
79)	07/01/2022	GPIL	4,05,745	5,595	5,595	SSB	53,767	13.25%
80)	10/01/2022	ANANDRATHI	3,08,612	6,499	6,499	SSB	41,000	13.29%
81)	10/01/2022	GPIL	11,85,655	31,035	31,035	BBS	1,35,000	11.39%
82)	10/01/2022	TEJASNET	1,34,099	2,594	2,594	BBS	2,691	2.01%
83)	14/01/2022	TEJASNET	18,58,320	5,000	5,000	BBS	1,00,000	5.38%
84)	25/01/2022	UNIONBANK	1,37,03,662	22,409	22,409	SSB	3,00,000	2.19%
85)	27/01/2022	GHCL	7,01,284	4,000	4,000	BBS	10,000	1.43%
86)	27/01/2022	UNIONBANK	2,82,53,174	2,00,000	2,00,000	BBS	8,00,000	2.83%
87)	03/02/2022	POONAWALLA	45,01,597	25,000	25,000	SSB	60,000	1.33%
88)	07/02/2022	POONAWALLA	44,60,803	35,920	35,920	SSB	80,000	1.79%
89)	18/02/2022	ANANDRATHI	1,10,431	3,035	3,035	SSB	22,000	19.92%
90)	22/02/2022	UNIONBANK	1,95,94,131	2,75,000	2,75,000	SSB	13,90,000	7.09%
91)	28/02/2022	EASEMYTRIP	22,68,352	1,000	1,000	BBS	35,000	1.54%
92)	13/04/2022	PGEL	1,10,330	2,383	2,383	SSB	9,000	8.16%
93)	20/04/2022	PGEL	63,979	2,647	2,647	SSB	7,500	11.72%
94)	27/04/2022	BOMDYEING	2,88,88,817	30,000	30,000	BBS	1,00,000	0.35%
95)	27/04/2022	GHCL	10,77,582	3,189	3,189	BBS	60,000	5.57%
96)	28/04/2022	GHCL	11,43,642	200	200	BBS	35,337	3.09%
97)	28/04/2022	BOMDYEING	84,74,996	40,000	40,000	BBS	4,00,000	4.72%
98)	05/05/2022	APTECHT	3,11,485	9,960	9,960	SSB	30,000	9.63%
99)	06/05/2022	POONAWALLA	42,29,506	10,000	10,000	SSB	30,000	0.71%
100)	06/05/2022	GHCL	8,80,033	10,000	10,000	SSB	38,500	4.37%
101)	06/05/2022	APTECHT	2,87,758	15,176	15,176	SSB	59,781	20.77%
102)	09/05/2022	POONAWALLA	43,15,418	10,000	10,000	SSB	20,000	0.46%
103)	11/05/2022	POONAWALLA	70,73,844	35,000	35,000	SSB	11,500	0.16%
104)	12/05/2022	PRAJIND	14,13,984	1,11,217	1,11,217	SSB	1,83,671	12.99%
105)	12/05/2022	EASEMYTRIP	12,73,717	3,228	3,228	SSB	60,000	4.71%
106)	23/05/2022	JSWENERGY	27,77,695	500	500	BBS	15,000	0.54%
107)	16/06/2022	SUNFLAG	8,10,916	5,000	5,000	SSB	25,000	3.08%

<u>Equity Derivative segment (NSE)</u>

n) In Equity derivative segment, Noticee No. 2 has 42 FR instances against Sapphire. Out of 42 FR instances, in 21 instances, Sapphire as a big client has contributed greater than or equal to 2% of total traded quantity in the scrip in cash segment on that day and also, in all 42 instances, Sapphire had order size of greater than or equal to 10,000 shares which in the instant case is considerable in volume. Orders of Sapphire in equity derivative segment were of substantial quantities, which had the potential to make an impact on the price movement of those particular scrips upon their placement. Brief of FR instances in NSE equity derivative segment is tabulated as under:-

Table 3: FR instances in NSE equity derivative segment

S.No	Date of FR trade	Scrip Code	Total Traded quantity in scrip in CM	Buy Quantity of FR	Sell Quantity of FR	Pattern (BBS/ SSB)	Buy/Sell quantity of Big client	Size of the BC order vs total traded quantity in scrip
1)	04/08/2021	SAIL	8,21,37,000	19,000	19,000	SSB	3,51,500	0.43%
2)	04/08/2021	VEDL	2,05,93,300	40,300	40,300	SSB	4,92,900	2.39%
3)	04/08/2021	TATASTEEL	1,66,67,650	3,400	3,400	SSB	29,750	0.18%
4)	17/08/2021	VEDL	2,49,17,800	12,400	12,400	BBS	99,200	0.40%
5)	30/08/2021	IBULHSGFIN	1,23,69,000	15,500	15,500	BBS	1,48,800	1.20%
6)	16/09/2021	JINDALSTEL	1,26,62,500	2,500	2,500	SSB	90,000	0.71%
7)	16/09/2021	IBULHSGFIN	1,93,71,900	6,200	6,200	BBS	1,48,800	0.77%
8)	23/09/2021	MCDOWELL-N	2,37,85,000	1,250	1,250	BBS	70,000	0.29%
9)	18/10/2021	MCDOWELL-N	31,50,000	1,250	1,250	SSB	97,500	3.10%
10)	10/11/2021	VEDL	4,20,01,900	9,300	9,300	BBS	14,01,200	3.34%
11)	10/11/2021	IBULHSGFIN	3,76,61,900	18,600	18,600	BBS	4,99,100	1.33%
12)	26/11/2021	MCDOWELL-N	83,03,750	6,250	6,250	BBS	1,25,000	1.51%
13)	02/12/2021	MCDOWELL-N	21,91,250	3,750	3,750	SSB	50,000	2.28%
14)	06/12/2021	ZEEL	4,76,01,000	6,000	6,000	BBS	1,89,000	0.40%
15)	09/12/2021	GRANULES	84,16,500	1,08,500	1,08,500	BBS	6,69,600	7.96%
16)	13/12/2021	GLENMARK	43,04,450	16,100	16,100	BBS	2,01,250	4.68%
17)	14/12/2021	GRANULES	35,61,900	17,050	17,050	BBS	1,92,200	5.40%
18)	15/12/2021	GLENMARK	32,14,250	32,200	32,200	SSB	2,01,250	6.26%
19)	15/12/2021	ZEEL	3,52,53,000	9,000	9,000	BBS	2,61,000	0.74%
20)	23/12/2021	GRANULES	18,47,600	69,750	69,750	BBS	1,99,950	10.82%
21)	27/12/2021	GLENMARK	21,53,950	16,100	16,100	BBS	2,69,100	12.49%
22)	27/12/2021	ZEEL	6,19,35,000	18,000	18,000	SSB	7,53,000	1.22%
23)	27/12/2021	GRANULES	34,76,650	7,750	7,750	BBS	99,200	2.85%
24)	27/12/2021	RBLBANK	16,20,40,400	20,300	20,300	BBS	2,03,000	0.13%
25)	31/12/2021	RBLBANK	5,10,74,800	2,81,300	2,81,300	SSB	12,55,700	2.46%
26)	31/12/2021	CANBK	1,79,87,400	81,000	81,000	BBS	3,56,400	1.98%
27)	03/01/2022	CANBK	1,73,93,400	59,400	59,400	BBS	3,02,400	1.74%
28)	04/01/2022	GRANULES	37,57,200	32,550	32,550	BBS	60,450	1.61%
29)	06/01/2022	CANBK	2,21,72,400	43,200	43,200	BBS	1,02,600	0.46%
30)	14/01/2022	AUROPHARMA	71,25,000	3,750	3,750	BBS	1,89,750	2.66%
31)	18/01/2022	AUROPHARMA	46,86,000	5,250	5,250	SSB	50,250	1.07%
32)	24/01/2022	GRANULES	97,27,800	10,850	10,850	BBS	12,74,100	13.10%
33)	24/01/2022	GLENMARK	30,52,100	27,600	27,600	SSB	69,000	2.26%
34)	04/05/2022	GRANULES	9,70,300	20,150	20,150	SSB	80,600	8.31%
35)	13/05/2022	ADANIENT	19,34,000	1,500	1,500	BBS	13,500	0.70%
36)	18/05/2022	GRANULES	32,75,150	4,650	4,650	BBS	49,600	1.51%
37)	20/06/2022	GRANULES	22,02,550	10,850	10,850	SSB	3,00,700	13.65%
38)	24/06/2022	GRANULES	16,58,500	4,650	4,650	SSB	51,150	3.08%
39)	28/06/2022	GRANULES	92,51,950	7,750	7,750	SSB	2,43,350	2.63%
40)	28/06/2022	GRANULES	68,98,000	10,000	10,000	BBS	2,42,000	3.51%

41)	29/06/2022	GRANULES	26,10,200	3,100	3,100	SSB	1,24,000	4.75%
42)	30/06/2022	GRANULES	29,48,000	4,000	4,000	BBS	38,000	1.29%

o) IP details for FR trades executed from trading account of Noticee no. 2 (via 5 Paisa) and Big Client (via Aditya Birla Money Limited) in equity and equity derivative segment are as follows: -

Table 4: IP details of FR and Big Client in Equity Segment

Date of FR trade	Scrip Code	IP details of trades of Noticee no. 2	IP details of trades of Big Client
19-Jul-21	IBREALEST	183.83.209.91	183.83.209.91
27-Jul-21	CAMLINFINE	183.83.209.91	183.83.209.91
28-Jul-21	IRCON	183.83.209.91	183.83.209.91
29-Jul-21	IRCON	183.83.209.91	183.83.209.91
29-Jul-21	SUNTV	183.83.209.91	183.83.209.91
02-Aug-21	CAMLINFINE	183.83.209.91	183.83.209.91
02-Aug-21	IRCON	183.83.209.91	183.83.209.91
11-Aug-21	IBULHSGFIN	183.83.209.91	183.83.209.91
12-Aug-21	HERANBA	183.83.209.91	183.83.209.91
13-Aug-21	CAMLINFINE	183.83.209.91	183.83.209.91
13-Aug-21	HERANBA	183.83.209.91	183.83.209.91
16-Aug-21	HCG	183.83.209.91	183.83.209.91
16-Aug-21	HERANBA	183.83.209.91	183.83.209.91
17-Aug-21	ALLCARGO	183.83.209.91	183.83.209.91
17-Aug-21	IBULHSGFIN	183.83.209.91	183.83.209.91
18-Aug-21	APOLLOPIPE	183.83.209.91	183.83.209.91
18-Aug-21	IBULHSGFIN	183.83.209.91	183.83.209.91
18-Aug-21	SHILPAMED	183.83.209.91	183.83.209.91
18-Aug-21	SUNTV	183.83.209.91	183.83.209.91
20-Aug-21	SHILPAMED	183.83.209.91	183.83.209.91
23-Aug-21	SUNTV	183.83.209.91	183.83.209.91
03-Sep-21	ALLCARGO	183.83.213.215	183.83.213.215
03-Sep-21	SHILPAMED	183.83.213.215	183.83.213.215
13-Sep-21	APLAPOLLO	183.83.213.215, 110.225.89.253	183.83.213.215
13-Sep-21	POONAWALLA	183.83.213.215, 110.225.89.253	183.83.213.215
15-Sep-21	CONFIPET	180.151.11.198	180.151.11.198
16-Sep-21	SUNTV	180.151.11.198	180.151.11.198
28-Sep-21	APOLLOPIPE	180.151.11.198	180.151.11.198
28-Sep-21	HERANBA	180.151.11.198	180.151.11.198
01-Oct-21	APTECHT	180.151.11.198	180.151.11.198
01-Oct-21	DELTACORP	180.151.11.198	180.151.11.198
04-Oct-21	APTECHT	180.151.11.198	180.151.11.198
05-Oct-21	SHILPAMED	180.151.11.198	180.151.11.198
11-Oct-21	SHILPAMED	183.83.214.161	183.83.214.161
14-Oct-21	INFIBEAM	183.83.214.161, 10.129.1.14, 223.225.10.47	183.83.214.161
14-Oct-21	UNIONBANK	183.83.214.161, 10.129.1.14, 223.225.10.47	183.83.214.161
19-Oct-21	IBULHSGFIN	183.83.214.161	183.83.214.161
28-Oct-21	APTECHT	183.83.213.59	183.83.213.59
01-Nov-21	DHANI	183.83.213.59	183.83.213.59, 157.37.177.103
02-Nov-21	UNIONBANK	183.83.213.59	183.83.213.59
10-Nov-21	DHANI	183.83.213.59, 106.223.10.70	183.83.213.59

Date of FR trade	Scrip Code	IP details of trades of Noticee no. 2	IP details of trades of Big Client
12-Nov-21	DHANI	183.83.213.59, 223.225.35.29	183.83.213.59
12-Nov-21	ESCORTS	183.83.213.59, 223.225.35.29	183.83.213.59
23-Nov-21	APTECHT	183.83.213.59, 223.225.78.125	183.83.213.59
23-Nov-21	ESCORTS	183.83.213.59, 223.225.78.125	183.83.213.59
23-Nov-21	GLENMARK	183.83.219.59, 223.225.78.175	183.83.213.59
23-Nov-21	GPIL	183.83.213.59, 223.225.78.125	183.83.213.59
23-Nov-21	IBREALEST	183.83.213.59, 223.225.78.125	183.83.213.59
25-Nov-21	GLENMARK	183.83.213.59	183.83.213.59
26-Nov-21	PGEL	183.83.213.59	183.83.213.59
29-Nov-21	APTECHT	183.83.213.59	183.83.213.59
30-Nov-21	INFIBEAM	183.83.213.59	183.83.213.59
01-Dec-21	GLENMARK	183.83.213.59	183.83.213.59
03-Dec-21	GLENMARK	183.83.213.59	183.83.213.59
03-Dec-21	IBULHSGFIN	183.83.213.59	183.83.213.59
03-Dec-21	SHILPAMED	183.83.213.59	183.83.213.59
08-Dec-21	IBULHSGFIN	183.83.213.59	183.83.213.59
10-Dec-21	GPIL	183.83.213.59	183.83.213.59
10-Dec-21	UNIONBANK	183.83.213.59	183.83.213.59
13-Dec-21	GPIL	183.83.213.59	183.83.213.59
14-Dec-21	GPIL	183.83.213.59, 106.202.23.105	183.83.213.59
15-Dec-21	GPIL	183.83.213.59, 106.223.54.121	183.83.213.59
16-Dec-21	DHANI	183.83.213.59	183.83.213.59
16-Dec-21	GPIL	183.83.213.59	183.83.213.59
17-Dec-21	CANBK	183.83.213.59	183.83.213.59
17-Dec-21	DHANI	183.83.213.59	183.83.213.59
17-Dec-21	GPIL	183.83.213.59	183.83.213.59
27-Dec-21	GPIL	183.83.213.59, 106.202.50.149	183.83.213.59
29-Dec-21	IBREALEST	106.202.29.51	183.83.213.59
29-Dec-21	IBULHSGFIN	106.202.10.195	183.83.213.59
03-Jan-22	GPIL	180.151.11.198, 106.202.99.188	180.151.11.198
07-Jan-22	GPIL	183.83.208.172, 110.225.90.100	183.83.208.172
10-Jan-22	ANANDRATHI	106.210.35.252	180.151.11.198
10-Jan-22	GPIL	106.210.35.252	180.151.11.198
10-Jan-22	TEJASNET	106.210.35.252	180.151.11.198
14-Jan-22	TEJASNET	180.151.11.198	180.151.11.198
25-Jan-22	UNIONBANK	223.225.34.130	180.151.11.198
27-Jan-22	GHCL	180.151.11.198, 106.210.98.70	180.151.11.198
27-Jan-22	UNIONBANK	180.151.11.198, 106.210.98.70	180.151.11.198
03-Feb-22	POONAWALLA	180.151.11.198, 106.202.69.246	180.151.11.198
07-Feb-22	POONAWALLA	180.151.11.198, 106.202.37.96	180.151.11.198
18-Feb-22	ANANDRATHI	180.151.11.198, 106.223.104.108	180.151.11.198
22-Feb-22	UNIONBANK	180.151.11.198, 106.223.1.10	180.151.11.198
28-Feb-22	EASEMYTRIP	180.151.11.198, 110.225.66.84	180.151.11.198

Date of FR trade	Scrip Code	IP details of trades of Noticee no. 2	IP details of trades of Big Client
13-Apr-22	PGEL	23.63.110.101	180.151.11.198
20-Apr-22	PGEL	23.63.110.38	180.151.11.198
27-Apr-22	BOMDYEING	23.63.110.101	180.151.11.198
27-Apr-22	GHCL	23.63.110.101	180.151.11.198
28-Apr-22	GHCL	23.63.110.77	180.151.11.198
28-Apr-22	BOMDYEING	23.63.110.77	180.151.11.198
05-May-22	APTECHT	23.63.110.77	180.151.11.198
06-May-22	POONAWALLA	23.63.110.77	180.151.11.198
06-May-22	GHCL	23.63.110.77	180.151.11.198
06-May-22	APTECHT	23.63.110.77	180.151.11.198
09-May-22	POONAWALLA	23.63.110.101	180.151.11.198
12-May-22	PRAJIND	23.63.110.77	180.151.11.198
12-May-22	EASEMYTRIP	23.63.110.77	180.151.11.198
23-May-22	JSWENERGY	23.63.110.77	180.151.11.198
16-Jun-22	SUNFLAG	23.63.110.77	180.151.11.198

Table 5: IP details of Noticee no. 2 and Big Client in Equity Derivative Segment

Date of FR trade	Scrip Code	IP details of trades of Noticee No. 2	IP details of trades of Big Client
04-Aug-21	VEDL	183.83.209.91	183.83.209.91
04-Aug-21	SAIL	183.83.209.91	183.83.209.91
04-Aug-21	TATASTEEL	183.83.209.91	183.83.209.91
17-Aug-21	VEDL	183.83.209.91	183.83.209.91
23-Sep-21	MCDOWELL-N	180.151.11.198	180.151.11.198
18-Oct-21	MCDOWELL-N	183.83.214.161	183.83.214.161
10-Nov-21	VEDL	183.83.213.59; 106.223.10.70	183.83.213.59
10-Nov-21	IBULHSGFIN	183.83.213.59; 106.223.10.70	183.83.213.59
09-Dec-21	GRANULES	183.83.213.59	183.83.213.59
13-Dec-21	GLENMARK	183.83.213.59	183.83.213.59
15-Dec-21	ZEEL	183.83.213.59, 106.223.54.121	183.83.213.59
15-Dec-21	GLENMARK	183.83.213.59, 106.223.54.121	183.83.213.59
27-Dec-21	GLENMARK	183.83.213.59, 106.202.50.149	183.83.213.59
27-Dec-21	RBLBANK	183.83.213.59, 106.202.50.149	183.83.213.59
27-Dec-21	GRANULES	183.83.213.59, 106.202.50.149	183.83.213.59
27-Dec-21	ZEEL	183.83.213.59, 106.202.50.149	183.83.213.59
24-Jan-22	GRANULES	223.225.79.2	180.151.11.198
24-Jan-22	GLENMARK	223.225.79.2	180.151.11.198
04-May-22	GRANULES	23.63.110.38	180.151.11.198
13-May-22	ADANIENT	23.63.110.101	180.151.11.198
18-May-22	GRANULES	23.63.110.77	180.151.11.198
20-Jun-22	GRANULES	23.63.110.101, 23.63.110.38	180.151.11.198
24-Jun-22	GRANULES	23.200.79.141, 23.200.79.94	180.151.11.198

Date of FR trade	Scrip Code	IP details of trades of Noticee No. 2	IP details of trades of Big Client
28-Jun-22	GRANULES	23.200.79.100, 23.100.79.135, 23.200.79.141	180.151.11.198
28-Jun-22	GRANULES	23.200.79.100, 23.100.79.135, 23.200.79.141	180.151.11.198
29-Jun-22	GRANULES	23.200.79.141, 96.17.150.118	180.151.11.198
30-Jun-22	GRANULES	96.17.150.149, 96.17.150.150, 96.17.150.166	180.151.11.198

p) In respect of trades executed from trading account of Noticee No.2, SMS were received on mobile number '8627xxx324', mentioned as mobile no. of Noticee No. 2 in KYC records of her trading account with 5 paisa. During market hours, the said mobile number was located mostly at '*Radico Khaitan Limited, Delhi*' or '*B - 1/J2, Mohan Co - Operative Industrial Area, New Delhi*', which is office address of Sapphire as per Sapphire email dated May 15, 2023.

q) Most of the times, IP details for the FR trades of Noticee No. 2 and trades of Sapphire are common. Noticee No. 1, while in Sapphire's office, was placing trades from mobile phone through trading account of Noticee No. 2 (Shila Devi), using the Wi-Fi network of Sapphire. Noticee No. 1 was operating the trading account of Noticee no. 2, linked mobile no. '8627xxx324', which is registered in the name of Noticee No. 2. Noticee No. 1 was present in office of Sapphire on every day when he executed FR trades from account of Noticee no. 2. No FR trade happened when Noticee No. 1 was not present in Sapphire`s office.

r) Noticee No. 2 allowed her trading account, linked bank account and mobile number '8627xxx324' to be operated by her son i.e. Noticee No.1 for such fraudulent FR trades, thus, Noticee No.2 is party to such FR trading activities.

3. The SCN alleged that the Noticee no. 1 by indulging into front running of the trades of the Big Client and Noticee No. 2 by allowing her trading account to be used by Noticee No. 1 for front running activities have violated Section 12A (a),

(b), (c), (e) of the SEBI Act and Regulation 3(a), 3(b), 3(c), 3(d), 4 (1) and 4 (2)(q) read with Regulation 2(1)(c) of the PFUTP Regulations.

SERVICE OF SCN AND HEARING

4. The SCN along with annexure no. 1 to 21 was served on Noticee No.1 and 2 through speed post and acknowledgement due. SEBI also sent the SCN along with annexure 1 to 21, except annexure 12, to the Noticee(s) through email dated September 11, 2023. SEBI vide email dated October 04, 2023 informed the Noticee(s) that the SCN has been sent to the Noticee(s) via speed post and email dated September 11, 2023, however, no reply to the SCN has been received.

5. The Noticee(s) were granted an opportunity of hearing on November 07, 2023. SEBI vide email dated October 05, 2023 informed the Noticee(s) that hearing is scheduled on November 07, 2023.

6. Noticee No.1 vide email dated October 9, 2023 stated that: -
   a) SEBI email dated September 11, 2023 was not received by him;
   b) The SCN was received by him through post on September 19, 2023;
   c) All material/information/data/annexures relied on while issuing the SCN be provided;
   d) 3 weeks after providing all material/information/data/annexures, relied on while issuing the SCN, be provided to file reply to the SCN.

7. SEBI vide email dated October 13, 2013 provided to the Noticee(s) annexure 1, 3, 6, 7, 16, 19 and 21 to the SCN, summons for appearance of Sunil Gupta, investigation report, trade log for trades of Noticee No.2 in equity and derivative segment for IP. The Noticee(s) were granted time till October 27, 2023 to file reply to the SCN. Subsequently, SEBI vide email dated October 17, 2023 provided order log for trades of Noticee No.2 in equity and derivative segment done during IP and instructions for delimiting and opening text files in excel format.

8. The Noticee(s) vide email dated October 27, 2023 stated that SEBI has provided certain material/data/documents vide emails dated October 13, 2023 and October 17, 2023. The Noticee(s) further submitted that such emails did not complete material/data sought via email dated October 09, 2023. Further, the Noticee(s) stated that all material/information/data relied on while issuing the SCN, not limited to the list of documents given therein, be provided to the Noticee(s).

9. SEBI vide email dated October 30, 2023 provided FR trades of Noticee No.2 against Big client during the IP, examination report forwarded by NSE to SEBI and link containing definition of front running. Further, the Noticee(s) were advised to submit reply to the SCN.

10. The Noticee(s) vide email dated November 04, 2023 sought extension of time to file reply to the SCN. Further, the Noticee(s) sought exhibits and annexure(s) to examination report forwarded by NSE to SEBI. Further, the Noticee(s) submitted that documents viz., Copy of alert and trade logs of Big client and other information about Big client used during investigation have not been provided stating that they have not been relied upon. Basis of calculating profit has not been provided stating that it is available in the SCN. Page 14 of Annexure 3 is not legible.

11. SEBI vide email dated November 06, 2023 responded to the Noticee(s) email dated November 04, 2023 and provided to the Noticee(s) annexures of examination report sent by NSE to SEBI. Further, SEBI informed the Noticee(s) as follows: -
    a) Examination report sent by NSE to SEBI was an alert to SEBI. Such report has been provided to the Noticee(s) vide email dated October 30, 2023;
    b) Annexure 3 of the SCN is bank statement of Noticee`s ICICI bank account for period January 06, 2021 to June 29, 2021. Accordingly, such statement can be procured by the Noticee from his concerned bank. Annexure 9 to the SCN i.e. ICICI bank statement of Noticee No.1 has been provided to the Noticee(s).

c) Basis of calculating profit is mentioned in the SCN;

d) Order time sheet containing details of FR trades i.e. Annexure 1 and 2 to the SCN have already been provided.

12. The Noticee(s) vide email dated November 06, 2023 furnished list of documents received and not received by the Noticee(s). Further, the Noticee(s) stated that the SCN is issued by investigating officer, however, there is no authorization provide along with the SCN authorizing investigating officer involvement in these proceedings.

13. On November 07, 2023, the Authorised Representative **("AR")** appeared on behalf of Noticee No.1 and 2 for the hearing. AR of the Noticee(s) inquired from the quasi- judicial authority whether quasi-judicial authority has all documents, including emails sent by him to SEBI on record. The AR was informed that emails sent by him on behalf of the Noticee(s) are on record, however, the AR expressed doubt as to how such emails are on record. In order to clarify doubt of the AR, he was granted an opportunity on November 10, 2023 to inspect correspondences between the Noticee(s) and SEBI, available on record. SEBI vide email dated November 07, 2023 informed the Noticee(s) about such opportunity of inspection. The Noticee(s) vide email dated November 09, 2023 expressed inability to avail such opportunity of inspection. Further, the Noticee(s) stated that they are facing following preliminary issues: -

a) SEBI has provided data/material/documents in piecemeal and in unstructured format;

b) Hearing should be scheduled only after Noticee(s) have been provided with complete SCN along with complete set of data/materials/documents and reasonable time to respond to the SCN;

c) Investigating officers have responded to their correspondences. Noticee(s) have not been provided with copy of authorization whereby investigating officers have been authorized to participate in the proceedings before the quasi- judicial authority.

14. SEBI vide email dated November 10, 2023 provided legible copy of annexure 3 of the SCN and sample of basis of calculation of profit to the Noticee(s). Further, the Noticee(s) were granted time till November 24, 2023 to file reply to the SCN. In response thereto, the Noticee(s) vide email dated November 21, 2023 and December 04, 2023 reiterated issues raised in email dated November 09, 2023. Further, the Noticee(s) stated that following documents have not been provided:-
    a) Complete set of examination report of NSE;
    b) Annexure 8 to the SCN;
    c) Mode of order placement by the Noticee(s);
    d) Annexure 6 is corrupt;
    e) Analysis of income details/networth;
    f) Trading activity of Noticee(s) across all script across all segments during IP;
    g) Trade log of Big client and any other information about the Big client used during IP

15. SEBI vide email dated December 15, 2023 informed the Noticee(s) that compact disc **("CD")** containing examination report of NSE and its annexures can be collected from its Northern Regional Office on December 19, 2023.

16. On December 19, 2023, the AR of the Noticee(s) appeared to collect the CD. The contents of CD were opened on laptop in presence of the AR of the Noticee(s). Except Annexure 6, 8 and 11, all contents of the CD worked properly. Thereafter, the CD was handed over to the AR. SEBI vide emails dated December 19, 2023 provided Annexure 6, 8 and 11 of the examination report of NSE to the Noticee(s).

17. In the meantime, due to transfer of the earlier quasi-judicial authority- Mr. K. Saravanan, Chief General Manager, SEBI, the present matter is allocated to me. SEBI vide email dated December 20, 2023 informed the Noticee(s) about such change of quasi-judicial authority and advised the Noticee(s) to file reply to the SCN within 14 days from December 20, 2023. Further, the Noticee(s) were granted liberty to raise their preliminary issues in the reply to the SCN.

18. The Noticee(s) vide email dated December 26, 2023 stated as follows: -

a) The mode of order placement by FR clients is mentioned in the NSE Report as Annexure 3 – however, Annexure 3 does not have this information;

b) Analysis of Income details/Net Worth disclosed in KYC vs Trading Turnover during the examination period has been mentioned in the NSE Report as Annexure 4 - however, this information has not been provided nor available in the Annexure 4;

c) Trading Activity Front Runner (Trades by FR vs normal trades) by FR across all scrip across all segments during the examination period mentioned as Exhibit 9 in the NSE Report- however, no such analysis of FR vs Normal Trades is provided, nor is any Exhibit 9 provided;

d) The file with the name Annexure 8 (7) of Annexure 8 - Part 2 does not have any content; thus, the file is empty;

e) Trade Logs of Sapphire Intrex Limited and any other information about Sapphire Intrex Limited used during the investigation have not been provided to date, stating that they have not been relied upon.

19. SEBI vide email dated December 28, 2023 informed the Noticee(s) as follows: -

a) Para 7.1 of NSE examination report mentions *“Detailed profile of front running client has been provided in Annexure 3.”* Para 7.3 mentions that *“The mode of order placement by FR clients was majorly through IBT/STWT terminal and details are attached in Annexure 3.* Annexure 3 contains profile of front running client/FR client and not mode of order placement. Annexure 3 containing profile of FR client has already been provided.

b) Para 7.7 of NSE examination report, inter-alia, mentions *“KYC document is attached as Annexure 4.”* Analysis of Income details/Net Worth disclosed in KYC vs. Trading Turnover during examination period is contained in table mentioned in para 7.7. Annexure-4 containing KYC document has already been provided.

c) Para 8.2 of NSE examination report mentions *“Trading Activity Front Runner (Trades by FR vs normal trades) by FR across all scrip across all segments during the period of examination has been attached as Exhibit 9.”* Exhibit 9 which is same as Annexure 9, inter-alia, contains details of trades of FR client in NSE equity segment and NSE equity derivative segment during July 05, 2021 to January 31, 2022. Further, Exhibit 9 contains details of trades of Sapphire Intrex Limited from April 01, 2021 to June 30, 2021 in NSE equity segment and NSE equity derivative segment. Exhibit 9 has already been provided.

d) File with name Annexure 8(7) of Annexure 8- Part 2 contains blank email with attachment (Sapphire.xlsx), which contains mode of orders placed by the Big client through Pace stock broking on dates mentioned therein.

e) Trade log and order log of the Big client have not been received by SEBI, therefore, it has not been provided to the Noticee(s). Details of FR instances, containing order time and trade time of Big client and FR client, in NSE equity segment and NSE equity derivative segment have been relied upon and the same have been provided in Anneuxre-1 and 2 of the SCN.

20. The Noticee(s) vide email dated January 11, 2024 requested for extension of time to file reply to the SCN by one week. Accordingly, the Noticee(s) were granted time till January 15, 2024 to file reply to the SCN.

<u>REPLY OF THE NOTICEE(S)</u>

21. The Noticee(s) vide email dated January 15, 2024 filed common reply dated January 15, 2024 which stated as follows: -

<u>Non-supply of relied upon annexures/documents/data.</u>

a) The Noticee(s) have not been supplied with complete data/annexures/documents. Following documents remain unserved: -

i. On December 19, 2023, SEBI provided incomplete file. The file is Annexure 8(7) of Annexure 8 in Part 2, which does not have any content.

ii. Trade logs of Big client and any other information about Big client which were referred to during the investigation. SEBI has claimed that this data has not been relied on. The allegations against the Noticee(s) pertain to front running of trades of the Big client by the Noticee(s). It is critical to review the Big client`s order and trade logs which would help shed light on the trades that are deemed questionable by SEBI.

iii. No evidence is placed on record demonstrating abnormal benefits gained by the Noticee(s).

iv. Noticee(s) be provided copies of emails referred to in para 12.6 of the SCN to verify the content and details therein. SEBI has claimed that there are e-mail correspondences of NSE that purportedly show Noticee No.1 confirming prior knowledge of the Big client`s transactions before making trade decisions. But, no further details of such purported emails or contents thereof are given alongside the SCN.

b) Data/documents/annexures have been provided to the Noticee(s) in piecemeal manner or suffer from defects of legibility, completeness, and accessibility.

<u>Arbitrary fixation of deadline for Noticee(s) Reply</u>

c) As supply of documents/relied-on material remains incomplete, therefore, compelling the Noticee(s) to submit reply by January 11, 2024 violated SEBI (Procedure for Holding Enquiry and Imposing Penalties) Rules, 1995 **("Enquiry Rules")**.

<u>Unauthorised exercise of power by Investigating Officers</u>

d) Investigating Officers have unilaterally dictated documents which need to be furnished for adjudication by the quasi- judicial authority. Despite repeated requests, they have omitted to show the provision of law under which they are, as Investigating entities, wielding their authority to decide upon any of the pre-hearing and post-hearing objections raised by the Noticee(s). These investigating officers were perpetually corresponding with the Noticee(s) on behalf of quasi- judicial authority. The persons accusing the Noticee(s) were with power to decide guilt. This is in brazen disregard of due process of law guaranteed to the Noticee(s) under the Indian Constitution.

Trading data/information produced by SEBI is inaccurate

e) Mismatches have been identified between trades presented in Annexure No.1 and Annexure No.2 of the SCN which indicates that the scrips alleged to be front run by Noticee No.2 do not align with the actual scrips where such trading occurred.

Submissions on Merits

f) The SCNs has accused Noticee No.2 of front running on the ground that she *"allowed her trading account, linked bank account and mobile number to be operated by her son for such fraudulent FR trades and is a party to such activities"* without any regard to the reality of her circumstances. **Noticee No.2 is a senior citizen residing in rural Himachal Pradesh with limited income, education, technological proficiency, and no work experience, let alone any experience in the securities market.** She suffers from severe age-related ailments and, therefore, requires some source of income to secure a decent standard of living for herself and her aged husband. **Duty of their care has become the sole responsibility of her only child, Noticee No. 1, who employs, in good faith, his education, skills and decades' long experience in the securities market to carry out beneficial investments for her benefit that supplement her household income.** It is most respectfully submitted that it is not uncommon for the elderly in India to entrust their confidential private and financial information to their children in good faith. Therefore, it is unfair that this personal, familial trust between the Noticee(s) has been mischaracterised in this manner to foist upon them an entirely baseless allegation of financial crimes. These specific allegations against Notice No.2 are hollow, lack merit, and cannot withstand the scrutiny of law.

g) Hon`ble Supreme Court, for the first time, in the matter of SEBI Vs. Kanaiyalal Baldevbhai Patel (2017) 15 SCC 1, set out contours within which any conduct alleged to be front running must be examined. Hon`ble Court referred to wide range of authoritative resources to arrive at proper definition of front running in India, this included examination of definition thereof in Major Lax Lexicon by P. Ramanatha Aiyer, Back`s Law Dictionary, as also Wall Street Journal.

h) The definition set down by P. Ramanatha Aiyar, in its entirety, is as follows:-

> *"Buying or selling securities ahead of a large order so as to benefit from the subsequent price move. <u>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.</u>" (emphasis supplied)*

i) Paragraph 3 of the SCNs notes that *"Front Running is defined under Major Lax Lexicon by P. Ramanatha Aiyer as "Buying or selling securities ahead of a large order so as to benefit from the subsequent price move".* This definition ends here without presenting its latter portion, which provides contexts in which the definition may apply. The essential ingredients, as stated in the actual definition, require establishing that trading was carried out by a person in a fiduciary capacity holding non-public information about an impending transaction. In the facts here, Noticee No.1 neither carried out any investments based on non-public information about an impending transaction, nor was he bound in a fiduciary relationship with the Big client.

j) Noticee No.1 and the Big client do not share, and have never shared, an Intermediary- Client relationship. Big client typically engages in securities market investments. At Big client, Noticee No. 1 pooled its expertise to provide market analyses to the investment team at Big client. **<u>This investment team then conducted independent deliberations upon the analyses received and made investment decisions in consultation with Noticee</u>**. This was, therefore, a collaborative exercise and ultimately, Big client used to execute its own trades, and Noticee executed his own. Noticee No.1 was employed by Big client because of his keen insight into market trends and his acute ability to condense them into beneficial investment decisions. Both Big client and Noticee 1 worked in a collaborative way, unlike an intermediary and his client, where the former works for the interests of the latter only and not in a collaborative way.

k) Noticee No.1 was hired for his competence in trading and securities market-related research. Noticee No.1 remained free to relay it to Big client for its use or use it himself for his own benefit or that of his family – as the arrangement was collaborative and could legally be done in the Securities Market. There is neither a statutory provision nor any oral or contractual stipulation that curbs the liberty of Noticee No.1 from using his skills and experience in the field to make lucrative investment decisions, especially when no private arrangement between the Big client and him forbade Noticee 1 from doing so. Relevantly, there is no conflict of interest between Noticee No.1 and Big client in the facts of the present case. Since Big client is not a client of Noticee No. 1, there is no fiduciary duty of intermediary with Noticee 1 that binds him in a way to restrict his trading activities.

l) While the case of Noticee No.1 remains that he is not and was never an intermediary, at the same time an earlier decision rendered by the **Hon'ble SAT in Rajiv R. Sanghvi Neelam v. SEBI (Appeal 329 of 2014 decided on 21 December 2017)**, in the heels of the decision in Kanaiyalal's case (supra), did set down that even a non-intermediary can be found guilty of Front Running, provided that the trade under investigation ought to be shown to have been carried with the help of non-public information. It is submitted by Noticee that Noticee No 1's trades were executed based on his own knowledge and analysis drawn from publicly available information, like charts, corporate announcements, candle-wick charts, and market data. Further, it is submitted that Noticee No 1 neither traded by relying on non-public or illegally sourced or price sensitive information or confidential information (assuming the information he possessed was confidential, he only used it for legitimate purposes of exploiting it commercially for Big client and himself – which was not forbidden by arrangement between Big client and himself). He did not carry out any activity that could be characterised as insider trading or tippee trading. Noticee No. 1 never disclosed any information that he was prohibited from disclosing in law or as per his Organisation's policies. His conduct, therefore, was sound, ethical and within the established legal parameters. Noticee No.1 possessed proprietary rights over information he disseminated to Big client under a private contract, which did not prohibit Noticee No.1 from using said information for his benefit. Noticee No.1`s relationship with Big client was collaborative and not mutually exclusive, where Noticee No.1 was to provide research and analysis to Big client, which, if found appropriate by investment team at Big client, would be used to conduct trades.

m) Observations made by the Hon`ble Supreme Court in para 36 of Kanaiyalal (Supra) laid down the way charges under PFUTP regulations ought to be approached. The law, therefore, is that SEBI needs to establish charges in a front running case by demonstrating that harm was induced due to the materialization of undisclosed risks resulting from fraudulent practices. These charges under PFUTP must adhere to applicable standards rather than relying on mere conjectures and surmises. Without any indication of Noticee(s) having received wrongful or abnormal gains or having attempted to evade legal obligations, no case has been made out against them under these regulations.

n) In Para 53 of the decision in Kanaiyalal (supra), the Hon'ble Supreme Court had clarified that only acts, expressions, omissions, or concealments, whether committed deceitfully or not, with the intent to induce another person to deal in securities, could be deemed as fraudulent act. Here, no inducement has been made to another person to engage in the securities market based on Noticee No 1's trading activities. There is no inequitable result for others arising from the Noticees' actions. The information Noticee No 1 used for trading was not acquired from any other person; it was Noticee No 1's own knowledge based on thorough analysis. The scale of the trades made by Noticee No.1 were minuscule and represented only decimals of a percentage in various scrips, thereby eliminating the possibility of inducing any other person to deal in securities. The absence of such inducement underscores the inapplicability of the charges of Fraud here.

22. The Noticee(s) were granted an opportunity of hearing on January 18, 2024. SEBI vide email dated January 12, 2024 informed the Noticee(s) about hearing dated January 18, 2024. In the hearing dated January 18, 2024, the AR for the Noticee(s) appeared and reiterated the submissions made vide reply dated January 15, 2024. Pursuant thereto, the Noticee(s) vide email dated January 26, 2024 filed post hearing submissions dated January 25, 2024.

23. The Noticee (s) vide post hearing submissions dated January 25, 2024 submitted as follows: -

a) Trading account for Noticee No. 1 was opened on 21.04.2008, whereas the trading account in the name of Noticee No. 2 was opened on 07.05.2021.

b) Noticee No.2 is innocent of any wrong doing insofar as these proceedings are concerned. She remains completely unaware of the sophisticated nuances of intraday trading, let alone the specifics of a Front Running allegation. All trades carried out by Noticee No.1 were in good faith for providing financial assistance to the household of his aged mother (Noticee No.2). The scope of these post-hearing submissions, therefore, shall be limited to Noticee No.1.

c) The Front Running allegations pertain to highly liquid scrips with a dynamic trading reality. Prudent investors in the landscape of the securities market often engage in intraday trades as a strategic approach to capitalise on short term opportunities to maximise earnings. The essence of these trades lies in the swift execution of Buy and Sell orders within a brief time frame with an objective to leverage market fluctuations and secure gains when favourable conditions arise. Given the market position, it is highly likely that in the course of intraday trading, the trades initiated by small investors may get matched with the trades of larger market participants. This is entirely at the hands of the market, and has very little to do with the individual control of a small investor.

d) Noticee No 1 was a part of the decision-making process to the limited extent that he made suggestions to the Big client based on prevailing market trends. Noticee No.1 was, however, not the person placing the order. Therefore, the involvement of Noticee No. 1 was confined to the first step of making decision, whereas the subsequent step of executing orders was a distinct process which he did not control or execute.

e) One of the core concepts employed in the investigation is of ‘matching’, integral to any allegation of front running. Noticee No.1 has not been provided any yardstick for the ‘matching’ exercise, Noticee No.1 remains unaware as to whether the ‘match’ has been assessed on the basis of the quantity of shares traded by Noticee No.1 and the Big client, or the identity of the scrips they traded in, or the time frame during which they were trading. Therefore, Noticee No.1 conducted his verification exercise on the blind assumption that a ‘match’ has been marked when the scrips sold/bought by Noticee No.1 has allegedly been bought/sold by Big client, i.e., the assessment was made against the identity of the scrips exchanged and whether Noticee No.1 and Big client were on opposite ends of the same trading exchange.

f) The concrete way to confirm manner in which ‘matching’ was done during investigation was by referring to Trade Logs of parties. Matches could be ascertained by accessing Trade Log and drawing a line between data in Log and “Match trades, values and percentages provided as Annexure-1. Noticee was denied access to Trade Logs, thus, Noticee No.1 do not know as to how specific trades were zeroed in to be characterized as front running.

g) Trades have been assessed as front running with regard to trade time, and not order time, without any regard to the fact that once an order is placed, the time at which trade takes place is not prerogative of the trader. The algorithm carries out matching of trades and determination thereof on its own, based on input provided at the time of placing order. Therefore, any assessment done on Sell/Buy without any regard for Sell/Buy Order time is erroneous exercise.

ALTERATION IN EVIDENCE

h) The annexures provided on December 19, 2023 were supposed to be complete in all respects and were not supposed to vary in content from documents provided earlier. Annexure-1, order sheet- provided earlier on November 06, 2023 contained all intraday trading records in respect of the Noticee(s) and included all identified BBS, SSB and No FR patterns. Orders sheets provided on December 19, 2023 showed "No FR" instance. They had been sanitized to leave only BBS and SSB trades behind.

i) Upon a comparison of the NSE order sheet provided during document disclosures on November 06, 2023, December 19, 2023, and the order sheet attached to the SCN, it is found that instances of trades characterised as front running in Annexure-I of the SCN have been, per contra, recharacterised as No FR in the documents disclosed on November 06, 2023, December 19, 2023.

INCORRECT DATA

j) There is a noticeable discrepancy in the manner in which trades have been assessed during investigation. One is unable to discern what is the parameter on which a trade has been called No FR and BBS/SSB.

Frequently, trades assessed as BBS/SSB echo the pattern of trades assessed as ‘No FR’.

k) For the trades characterised as BBS, it was important to show that (i) the Noticee No.1 placed its Buy Order before the Big client, (ii) Noticee No.1’s Sell Trade timing was the same as the Big client’s Buy Trade timing, and that (iii) the shares bought by the Big client were sold by Noticee No.1. Trades where Buy Order of Noticee(s) succeeded the Buy Order of the Big client, have been erroneously characterised as BBS even though an important criterion of BBS is that the ‘Buy’ by the Noticee should precede the alleged Big Client’s. For e.g., In the instances of trading, provided to the Noticee on November 10, 2023 in the Sample of Basis of Calculation of Profits, the Buy orders for 7000 shares of IBREALEST with trade date 19.07.2021 was started by Sapphire at 10:39:18 AM, whereas the Buy orders from the account of Sapphire was begun at 10:38:55 AM.

l) In some cases, the Big client’s Buy Order began only after the Noticees’ had finished selling and in others, the Big client`s Buy Order continued even after the Noticees’ had finished selling. In its bare form, the crime of front running in BBS pattern involves the Front Runner making untoward earnings from the share price increase brought on by the Big Client’s share purchase and/or when the Front Runner sells the scrips it bought before the Big Client back to the Big Client at a profit. However, if the Big client continued to buy well after the Noticees’ had finished selling, the Noticees’ could not have said to have made any gains from the price increase – if any- brought on by the Big client’s Buy Order. Further, if the Noticees’ Sell Trade ended before the Big client began its Buy Order, there is no way the Noticees’ gained at all from the Big client`s purchase. For e.g., the Sell trade for APTECHT scrip with trade date October 04, 2021 was finished from the account of Noticee No.2 at 2:56:21 PM, even before the Buy Orders from the account of the Big client began at 2:56:28 PM.

m) Trades whose pattern matched trades characterised as ‘No FR’ in the order sheets provided on November 06, 2023 were also characterised as BBS in the SCN or the order sheets provided on December 19, 2023.

PATTERN OF SSB

n) Trades, where Sell Order of the Noticee(s) was made after the Sell Order of the Big client, has been erroneously characterised as SSB even though an important criterion of SSB is that the ‘Sell’ by the Noticee should precede the alleged Big Client’s. The Sell orders for 2500 shares of JINDALSTEEL with trade date September 16, 2021 was placed from the trading account of Noticee No.2 at 13:10:26 PM significantly after the Sell orders were placed from the trading account of the Big client at 12:17:19 PM. Demonstrating that Noticee No.2 started selling these scrips before the Big client is material to establish an SSB pattern, therefore, the fact that trading is taking place in a contrary pattern is important and ought to be taken into account.

o) In some cases, the Big client`s Sell Order began only after the Noticee(s) had finished buying the scrips and in others, the Big client’s Sell Order continued even after the Noticees’ had finished buying the scrips. In its bare form, the crime of Front Running in an SSB pattern which involves the Front Runner making untoward gains from the share price decrease brought on by the Big Client’s share sale and/or when the Front Runner buys the scrips sold by the Big Client at a reduced price. However, if the Big client continued to sell well after the Noticees’ had finished buying, the Noticees’ could not have been said to have made any gains in their trade from the price decrease– if any- brought on by the Big client`s Sell Order. Further, if the Noticees’ Buy Trade ended before the Big client began its Sell Order, there is no way the Noticees’ gained at all from the Big client’s purchase.

p) Additionally, trades whose pattern matched trades characterised as No FR in the order sheet provided on November 06, 2023 were characterised as SSB in the SCN or the order sheet provided on December 19, 2023.

UNUSUALLY EXTENDED TRADING WINDOW

q) Trades conducted during extremely long Order windows were characterised as BBS/SSB trades without any regard to the fact that these are highly liquid scrips that invite the interest of hundreds of other small and large investors during the trade day. It is incorrect and grossly over-simplistic to imagine that the only two entities trading in such scrips in one single trading day are the Noticees and the Big client. It is probable and improbable in equal parts that there are buy/match instances that may coincide if the duration under investigation is kept as expansive. As an instance, one may refer to the trade in GLENMARK scrip carried out from the trading account of Noticee No.2 on the trade date December 01, 2021 which has been characterised as SSB. The Buy Order Start Time is 9:22:45 AM and Buy Order End Time is 2:36:38 PM. With a trading window of almost of 5 hours, the Match Qty for Sell is 0 whereas the Match Qty for Buy is minimal. This shows that there was no intentional matching taking place, let alone any Front Running.

ZERO PERCENT MATCHES

r) If the assessment of FR is actually based on the Buy/Sell Match Values, then in that case several intraday trades conducted from the accounts of Noticee No.2 and the Big client were characterised as SSB/BBS Front Running even though they did not share any Buy/Sell Match quantity. It may be apposite to refer to, among many others, the trades of UNIONBANK scrip made on the trade date January 25, 2022, trades of GPIL scrip made on the trade date December 14, 2021, and trades of IBULHSGFIN scrip made on the trade date August 30, 2021. At the same time, in the list of No FR trades rests a particular trade which actually has buy/sell matching values in the order sheet.

s) These numerous instances of Zero Matches only goes to demonstrate that matching trades is not within the power or control of small investors such as the Noticees and these trades are not sophisticated, elaborate contrived schemes – rather they are coincidences brought on by frequent market interactions between investors who are often dealing in the same, highly liquid scrips.

t) Given the allegation in the SCN that ill- gotten gains in respect of the trades are on account of Front Running matches, then any calculations of ill-gotten gains should be restricted to the percentage of matches claimed by SEBI in its order sheets. However, the calculation for ill-gotten gains against each scrip has been made on the total trade value of that day and not on the matched trades. Any departure from this approach would be misapplication and miscalculation of the profits purportedly made by Front Running.

u) The exercise of attaching remarks in the order sheet provided on December 19, 2023 only covers a part of the investigation period. Given the inconsistencies and unreliability of the data therein, a necessary corollary thereof is that data compiled for the succeeding period is equally deficit. Therefore, in the interest of justice, the data for the succeeding period ought to be treated in the same manner as the rest and any investigation relying on it be set aside.

WHETHER FR CAN TAKE PLACE ONLY IN CASE OF MISUSE OF ILLEGAL INFORMATION

v) In Kanaiyalal Baldevbhai Patel judgment (Supra), the Hon`ble Supreme Court set down three criteria for identifying front-running: first, trading done by third parties who have been tipped on an impending block trade, referred to as tippy trading; second, transactions wherein the owner or purchaser of the block trade engages in offsetting future or options transactions to hedge against price fluctuations induced by the block transaction; and third, transactions where an intermediary, possessing knowledge of an impending customer block order, trades ahead of that order for the intermediary's personal gain. So, most certainly, there has to be an illegality to the information on the basis whereof a Front Runner, who is not an intermediary, is conducting the trade. To apply that to the present case, there is no question of such information being known to the Noticee No.1 since he was not placing orders for the Big client and was removed from the specifics of the final trades.

REDUCED TRADING POST NSE EMAIL

w) Reduced trading activity was partly influenced by the alarm of the Noticee No.1, inasmuch as he was caught unaware by the allegations levelled against him by the Regulator simply because of ordinary trading activities carried out by him; and the seriousness of these proceedings. In fact, Paragraph 4.5 of the IR erroneously records a heavy assumption (that Rohit Mankotia got alerted that his repetitive FR trades may be the cause of such e-mail queries from NSE via Broker 5 Paisa and thus, he drastically reduced the instances of front running the trades of Sapphire) as a concrete finding.

CONSIDERATION

24. I have considered the SCN, replies of the Noticee(s), submissions of the Noticee(s) and other material on record. Before further, I find it relevant to deal with preliminary issues raised by the Noticee(s). Accordingly, before considering the matter on merits, I am dealing with following preliminary issues: -

a) Whether the Noticee(s) have been supplied with complete data/annexures/documents relied upon in the SCN or not?

b) Whether the Noticee(s) have been supplied with correct data/annexures/documents relied upon in the SCN or not?

c) Whether the Noticee(s) have been supplied with tampered or altered data/annexures/documents or not?

d) Whether there has been unauthorized exercise of power by Investigating Officers in the present matter?

e) Whether there has been arbitrary fixation of deadline for the Noticee(s) reply?

PRELIMINARY ISSUES

I- Whether the Noticee(s) have been supplied with complete data/annexures/documents relied upon in the SCN or not?

25. I note that the Noticee(s) in their reply dated January 15, 2024 have stated as follows: -

    i. File provided by SEBI to the Noticee(s) on December 19, 2023 is incomplete as Annexure 8(7) of Annexure 8 in Part 2 does not have any content.

    ii. Trade logs of Big client and any other information about Big client which were referred to during the investigation.

    iii. No evidence is placed on record demonstrating abnormal benefits gained by the Noticee(s).

    iv. Emails referred to in para 12.6 of the SCN has not been provided.

26. I note that SEBI served the SCN and its 21 annexures to the Noticee(s) through post. Pursuant to request of the Noticee(s) to provide "alert" referred to in the SCN, SEBI on December 19, 2023 provided a CD containing NSE examination report and its annexures to the Noticee(s). The contents of CD were opened on laptop in presence of the AR of the Noticee(s). Except Annexure 6, 8 and 11, all contents of the CD worked properly. Thereafter, SEBI vide emails dated December 19, 2023 provided Annexure 6, 8 and 11 of the examination report of NSE to the Noticee(s). The Noticee(s) vide email dated December 26, 2023, inter-alia, stated that Annexure 8 (7) of Annexure 8 - Part 2 does not have any content; thus, the file is empty. In response thereto, SEBI vide email dated December 28, 2023 informed the Noticee(s) that file titled Annexure 8(7) in Annexure 8 of NSE Report (Part 2) contains blank email with attachment (Sapphire.xlsx), which contains mode of orders placed by the Big client through Pace stock broking on dates mentioned therein.

27. From perusal of Annexure 8(7), provided by SEBI to Noticee(s) vide email dated December 19, 2023, I note that Annexure 8(7) is an email dated September 06, 2022, from Prabhat Sharma- PACE to Khyati Vidwans, which mentions

attachment as “SAPPHIRE.XLSx”. SEBI email dated December 19, 2023 also contains an excel file titled “SAPPHIRE.xlsx” which contains mode of orders placed by Big client. In view of SEBI email dated December 19, 2023 and December 28, 2023 to the Noticee(s), I find no merit in the Noticee(s) submission that Annexure 8(7) is in complete. I find that mode of order placement of the Big client, furnished by PACE stock broking and contained in Annexure 8(7) to SEBI email dated December 19, 2023, has been provided to the Noticee(s).

28. As regards to the contention of the Noticee(s) that trade log of the Big client and other information about the Big client referred to during the investigation be provided, I note that SEBI vide email dated December 28, 2023 informed the Noticee(s) that trade log and order log of the Big client have not been received by SEBI, therefore, the same have not been provided to the Noticee(s). Details of FR trades executed by Noticee No.1 from the account of Noticee No.2 in equity segment and equity derivative segment of NSE are Annexure 1 and 2 of the SCN and have been served on the Noticee(s). Annexure 1 and 2 of the SCN contains order time and trade time of Big client as well as FR trades. As trade log and order log of the Big client have neither been collected by SEBI during the investigation nor relied upon in the SCN, therefore, I find that trade log and order log of the Big client are not relevant for adjudication in the present case. I find that the Noticee(s) request that any other information about Big client, which were referred to during the investigation, be provided to the Noticee(s) is vague. Accordingly, I find that the Noticee(s) request for providing Trade log and order log of the Big client and any other information about Big client which were referred to during the investigation, as untenable.

29. Further, I note that Noticee No.1 and 2 bank statement and FR instances in the account of Noticee No.2 are annexure no. 1, 2, 6 and 9 to the SCN. Therefore, it is not the case of the Noticee(s) that said annexures have not been served on the Noticee(s) along with the SCN. The Noticee(s) have not disputed the trades alleged to have been executed by Noticee No.1 from the account of Noticee No.2. Table 6 and 7 of the SCN details profit earned by the Noticee(s) by executing FR

trades. Thus, I do not find any force in the Noticee(s) submission that no evidence is placed on record demonstrating abnormal benefits gained by the Noticee(s).

30. As regards to the contention of the Noticee(s) that emails referred to in para 12.6 of the SCN have not been provided, I note that Para 12.6 of the SCN reads *"Based on the findings of investigation, it is observed that NSE had sent an email in last week of July month in 2022, thereafter, FR instances in Shila Devi's trading account reduced substantially from August 2022 across both equity and equity derivative segment (Order sheet for FR trades of Noticee no. 2 from July 2022 onwards is attached as* ***Annexure 15****). It is observed that Noticee no. 1 got alerted from NSE's email that his repetitive FR trades from the trading account of Noticee no.2 may be the cause of such email queries from NSE and thus, he drastically reduced the instances of front running the trades of Sapphire."* Para 12.5 of the SCN reads *"the Noticee no. 1 in his statement has stated that he received an email from NSE around 1 year back, seeking account statement of his mother's (Noticee no. 2) bank account linked to her trading account. In this regard, Noticee no. 1 submitted the email (****Annexure 14****) that he received from broker viz. 5 Paisa on July 26, 2022*. Annexure 14 of the SCN contains email dated June 27, 2023, forwarded Noticee No.1 to SEBI, whereby, Noticee No.1 forwarded email dated July 26, 2022, sent by 5 paisa to email id of Noticee No.2 i.e. shilamankotia56@gmail.com. 5 paisa email dated July 26, 2022 read "…we have received an query from NSE for your client code:52246351….., you are requested to provide us the following detais……". Further, email dated July 27, 2022, sent by NSE to 5 paisa, is also provided to the Noticee(s) as part of Annexure 14. In view of Annexure 14 to the SCN, I find no merit in the submission of the Noticee(s) that email referred to in para 12.6 of the SCN has not been provided to the Noticee(s).

31. Even otherwise para 12.6 of the SCN referred to an NSE email, sent in last week of July 2022, to state that FR instances in the account of Noticee No.2 reduced substantially after the said email. No allegation of engaging in front running has not been made against the Noticee(s) by placing reliance on NSE email. The Noticee(s) have also not stated that any allegation of engaging in front running

has been made by placing reliance on NSE email. The Noticee(s) have neither stated nor demonstrated that any prejudice, if any, has been caused to them due to alleged non-supply of NSE email. I find that NSE email is not relevant as it has not been relied upon to make allegations in the SCN.

32. I note that the Noticee(s) have also stated that data/documents/annexures provided to the Noticee(s) suffer from defects of legibility, completeness, and accessibility. However, the Noticee(s) have not stated as to which particular annexure is not legible or complete or accessible. Thus, I find no merit in submission of the Noticee(s) that data/documents/annexures provided to the Noticee(s) suffer from defects of legibility, completeness, and accessibility.

II- <u>Whether the Noticee(s) have been supplied with correct data/annexures/documents or not</u>

33. The Noticee(s) have submitted that they are unable to discern parameter on which a trade has been called No FR and BBS/SSB. Frequently, trades assessed as BBS/SSB echo pattern of trades assessed as "No FR". No FR instances are incapable of being reconciled with trades categorized as BBS/SSB. Trades characterized as No FR in the order sheet provided on November 6, 2023 have been erroneously characterized as BBS/SSB in the SCN.

34. Further, the Noticee(s) have submitted that in order to characterize trade as BBS, it is important to show (i) Noticee(s) placed Buy Order before the Big client (ii) the Noticee(s) Sell Trade timing was same as the Big Clients Buy Trade timing and (iii) the shares bought by the Big client were sold by Noticee No.1. Further, it is submitted that in order to characterize trade as SSB, it is important to show (i) Noticee(s) placed Sell Order before the Big client (ii) Noticee(s) buy trade timing was same/coincided with the Big client`s sell trade time and (iii) Noticee(s) Buy trades were made against the Big Client`s Sell Orders.

35. Further, the Noticee(s) have submitted that to characterize trade of Noticee(s) as BBS/SSB, it is important to show that Noticee(s) Buy Order or Sell Order preceded Buy Order or Sell Order of the Big client. However, trades of Noticee(s) have been characterized as BBS/SSB even where Buy order/Sell order of the

Noticee(s) succeeded Buy order/Sell order of the Big client. The Noticee(s) have cited following instances in support of their contention: -

a) Buy orders for 7000 shares of IBREALEST with trade date 19.07.2021 was started by the Big client at 10:39:18 AM, whereas, the Buy orders from the account of the Big client was begun at 10:38:55 AM.

b) Sell trade for APTECHT scrip with trade date 04.10.2021 was finished from the account of Noticee No.2 at 2:56:21 PM, even before the Buy Orders from the account of the Big client began at 2:56:28 PM.

c) Sell orders for 2500 shares of JINDALSTEEL with trade date 16.09.2021 was placed from the trading account of Noticee No.2 at 13:10:26 PM significantly after the Sell orders were placed from the trading account of the Big client at 12:17:19 PM.

36. Further, it is submitted by the Noticee(s) that, if the assessment of FR is actually based on the Buy/Sell Match Values, then several intraday trades conducted from the accounts of Noticee No.2 and the Big client were characterized as SSB/BBS front running even though they did not share any Buy/Sell Match quantity. For e.g. trades of UNIONBANK scrip made on the trade date 25.01.2022, trades of GPIL scrip made on the trade date 14.12.2021, and trades of IBULHSGFIN scrip made on the trade date 30.08.2021.

37. I reiterate that Annexure 1 and 2 of the SCN contains FR instances executed from the account of Noticee No.2 in NSE equity segment and NSE equity derivative segment. Along with the SCN, Annexure 1 and 2 were also served on the Noticee(s) through post. SEBI vide email dated October 30, 2023, inter-alia, provided NSE examination report to the Noticee(s). Annexure(s) to NSE examination report was provided by SEBI vide email dated November 6, 2023. However, the Noticee(s) vide email dated November 21, 2023 and December 4, 2023 raised objection with regard to annexures to NSE examination report that they are either corrupt, not located, incomplete, etc., In order to resolve objections of the Noticee(s), SEBI on December 19, 2023 provided CD containing NSE

examination report and annexure(s) thereto to AR of the Noticee(s). Before giving the CD to the AR of the Noticee(s), contents of CD were opened on laptop in presence of the AR of the Noticee(s). Except Annexure 6, 8 and 11, all contents of the CD worked properly. Thereafter, SEBI vide emails dated December 19, 2023 provided Annexure 6, 8 and 11 of the examination report of NSE to the Noticee(s).

38. Consequent to receipt of NSE examination report, SEBI investigated the matter and prepared investigation report. SEBI provided the investigation report along with annexure(s) to the Noticee(s) vide email dated October 13, 2023. NSE examination report characterized trades of the Noticee(s) as No FR, BBS/SSB. Pursuant to investigation, SEBI found some of trades shown as "No FR" in the examination report of NSE as falling within criteria of BBS/SSB behaviour of FR. Consequently, some of trades which are "No FR" in annexure(s) to NSE examination report are BBS/SSB in Annexure 1 and 2 to the SCN. I note that trades wherein the Noticee(s) have placed Buy/Sell orders before Buy/Sell orders of the Big client and subsequently the Noticee(s) placed Sell/Buy orders have been categorized by SEBI as BBS/SSB front running trades.

39. In my view, BBS front running can be done by (i) Placing orders ahead of Orders of Big client (ii) Placing Sell Orders immediately after Buy order of Big client. In my view, purpose of BBS is to take advantage of change in price caused by order of the Big client. Accordingly, in BBS front running, advantage of change in price caused by order of Big client can be taken by placing order immediately after or soon after the order of Big client. For the foregoing reasons, I also do not find merit in submission of the Noticee(s) that in order to characterize trade as SSB, it is important to show that Noticee(s) buy trade timing was same as that of the Big client`s sell trade time.

40. The Noticee(s) have submitted that trades where Buy order of the Noticee(s) succeeded Buy order of the Big client have been erroneously characterized as BBS. In support thereof, the Noticee(s) have cited an example which reads as *"Buy orders for 7000 shares of IBREALEST with trade date 19.07.2021 was*

started by the Big client at 10:39:18 AM, whereas, the Buy orders from the account of the Big client was begun at 10:38:55 AM". Further, the Noticee(s) have submitted that in some cases Buy order of the Big client started after the Noticee(s) had finished selling and in others the Big client Buy order continued after the Noticee(s) had finished selling. In support thereof, the Noticee(s) have cited example which reads as *"Sell trade for APTECHT scrip with trade date 04.10.2021 was finished from the account of Noticee No.2 at 2:56:21 PM, even before the Buy Orders from the account of the Big client began at 2:56:28 PM*." Further, the Noticee(s) have contended that trades where Sell order of the Noticee(s) was made after the Sell order of the Big client had been erroneously characterized as SSB. In support of that, the Noticee(s) have cited example which reads as "*Sell orders for 2500 shares of JINDALSTEEL with trade date 16.09.2021 was placed from the trading account of Noticee No.2 at 13:10:26 PM significantly after the Sell orders were placed from the trading account of the Big client at 12:17:19 PM.*"

41. In this regard, I note that details of trade relied upon by the Noticee(s) in their submission are as follows: -

Table No. 6

	Date	**Security Name /Contract**	**Trade Qty**	**order start time**	**order end time**	**Trade Start Time**	**Trade End Time**
Noticee Buy	19-Jul-2021	IBREALEST	7000	10:39:18	10:39:43	10:39:18	10:39:43
Big Client Buy			200000	10:38:55	15:22:32	10:41:10	15:22:32
Noticee Sell			7000	10:40:13	10:40:13	10:41:10	10:41:10
Noticee Buy	04-Oct-2021	APTECHT	2500	14:50:55	14:52:50	14:50:55	14:52:50
Big Client Buy			10000	14:53:01	15:00:49	14:56:28	15:05:20
Noticee Sell			2500	14:53:44	14:54:22	14:56:21	14:56:21
Noticee Sell	16-Sep-2021	JINDALSTEL	2500	13:10:26	13:10:26	13:10:26	13:10:26
Big Client Sell			90000	12:17:19	13:46:26	12:18:11	13:48:37
Noticee Buy			2500	13:17:22	13:17:22	13:17:34	13:17:34

42. With regard to above submission of the Noticee(s), I note that on the Noticees' Buy orders on July 19, 2021 in scrip of IBREALEST, on October 04, 2021 in scrip of APTECHT were placed before the completion of execution of Buy trade of the Big client. Immediately after the Buy order of the Big client, the Noticee(s) placed Sell Order in order to take advantage of price impact cause by the Buy order of the Big client. In my view the Noticee(s) order on July 19, 2021 in scrip of IBREALEST and on October 04, 2021 in scrip of APTECHT indicated pattern of BBS i.e. Buying before the impact of Buy order of the Big client and Selling after Big client order has impacted the market, thereby, taking advantage of change in price caused due to order of the Big client. Similarly, the Noticee(s) trade on September 16, 2021 in scrip of JINDALSTEL followed pattern of SSB i.e. Selling before the impact of Sell order of the Big client and Buying after Big client order has impacted the market.

43. For the foregoing reasons, I find no merit in submission of the Noticee(s) that data/documents/information provided by SEBI to the Noticee(s) is erroneous. I do not find merit in submission of the Noticee(s) that there is no parameter for considering the trade of the Noticee(s) as BBS/SSB. Also, I find no merit in submission of the Noticee(s) that in order to characterize trade as BBS, it is important to show (i) the Noticee(s) Sell Trade timing was same as the Big Clients Buy Trade timing and (iii) the shares bought by the Big client were sold by Noticee No.1.

III- <u>Whether data/annexures/documents has been altered or tempered</u>

44. The Noticee has submitted that annexure-1 viz., order sheet, provided by SEBI to the Noticee(s) on November 6, 2023 contained all intraday trades of the Noticee(s) including BBS, SSB and No FR patterns. However, order sheets provided by SEBI to the Noticee(s) on December 19, 2023 contained only BBS and SSB trades and No FR instances were not available in it. Certain trades shown as FR instances in order sheet provided along with the SCN have been re-characterized as No FR instances in the documents disclosed on November 6, 2023 and December 19, 2023. There is mismatch in the scrip, mentioned in

Annexure-1 and 2 of the SCN, allegedly front run by the Noticee No.2 and actual scrips where such trading occurred. This has placed the Noticee(s) at a severe disadvantage as the sanitized version of order sheet served to buttress the case against the Noticee(s) and presented a deeply skewed picture. It left the Noticee(s) deprived of exclusive materials that they can use to prove their innocence. Removal of material that exonerated the Noticee(s) has deprived the Noticee(s) of a fair right to defend themselves and have been denied due process.

45. I note that Annexure-1 and 2 to the SCN contain details of trades executed by Noticee No.2 in equity segment and equity derivative segment which have been categorized into BBS, SSB and No FR pattern. SEBI vide email dated November 6, 2023 provided to the Noticee(s), inter-alia, Annexure1, titled as Order timing data_SHILA, which contains two sheets viz., CM Segment and FAO Segment. The said two sheets contain details of trades of Noticee No.2 in equity segment and equity derivative segment which have been categorized as BBS, SSB and No FR pattern. The Noticee(s) have neither highlighted nor provided details of trades which were shown as FR instances in Annexure-1 to the SCN but re-characterized as No FR in order sheet provided to the Noticee(s) on November 6, 2023 and December 19, 2023. The Noticee(s) have not detailed the scrips wherein there is mismatch. The Noticee(s) have not disputed execution of trades which have been categorized as BBS, SSB and No FR either in Annexure 1 and 2 to the SCN or Annexure(s) provided on November 6, 2023. In view of the above, I find that the Noticee(s) have made bald and unsubstantiated allegation that certain trades shown as FR instances in Annexure-1 to the SCN have been re-characterized as No FR instances in the documents disclosed on November 6, 2023 and December 19, 2023. I reject the submission of the Noticee(s) that there is mismatch in scrips, shown in Annexure 1 and 2 to the SCN, and actual scrips wherein Noticee No.2 traded. I also find that there is no alteration or tampering of data to the prejudice of the Noticee(s). The Noticee(s) have been provided with complete and correct data/material/ documents relied upon in the SCN. The Noticee(s) have not been deprived of fair right to defend themselves.

IV- <u>Whether there has been unauthorized exercise of power by Investigating Officers in the present matter?</u>

46. The Noticee(s) have submitted that investigating officers were corresponding with the Noticee(s) on behalf of the Quasi-Judicial Authority. Further, it is alleged that investigating officers were deciding pre-hearing and post-hearing objections of the Noticee(s).

47. I note that the concerned operation department of SEBI **("OD")** issued and served through post the SCN along with annexures to the Noticee(s). OD forwarded Noticee(s) request for documents as well as Noticee(s) objections to the Quasi-Judicial Authority. The Quasi-Judicial Authority took necessary decision on the Noticee(s) request and objections. Thereafter, OD communicated to the Noticee(s) decision of the Quasi- Judicial Authority on the Noticee(s) requests and objections, date of hearing and record of proceedings. The role of OD is confined to communication of Noticee(s) requests and objections to the Quasi-Judicial Authority and communication of decision of Quasi-Judicial Authority to the Noticee(s).

48. On November 07, 2023, the AR of the Noticee(s) inquired from the Quasi- Judicial Authority whether Quasi- Judicial Authority has all documents, including emails sent by him to SEBI on record. The AR was informed that emails sent by him on behalf of the Noticee(s) are on record, however, the AR expressed doubt as to how such emails are on record. In order to clarify doubt of the AR, he was granted an opportunity on November 10, 2023 to inspect correspondences between the Noticee(s) and SEBI, available on record. However, the Noticee(s) or their AR did not appear for inspection. In view of the above, I find no merit in the allegation of the Noticee(s) that investigating officer(s) overstepped their jurisdiction and decided on the Noticee(s) requests and objections during pre-hearing and post hearing stage. I find that requests and objections of the Noticee(s) were considered and decided by the Quasi-Judicial Authority. OD merely communicated decision of the Quasi-Judicial Authority. In view thereof, I find that there has been no violation of due process of law.

V- <u>Whether there has been arbitrary fixation of deadline for the Noticee(s) reply?</u>

49. The Noticee(s) have submitted that according to SEBI (Procedure for Holding Enquiry and Imposing Penalties) Rules, 1995 **("Enquiry Rules")** hearing can be scheduled only after the Noticee(s) have been provided with complete SCN along with complete set of data/materials/documents, and reasonable time to respond to the complete SCN. Though supply of documents/relied on material remained incomplete but the Noticee(s) were compelled to submit reply by January 11, 2024, thereby, Enquiry Rules have been violated.

50. As noted above under the head 'Service of SCN and Hearing, the SCN and its 21 annexures were served to the Noticee(s) through post on September 19, 2023. SEBI vide email dated October 04, 2023 informed the Noticee(s) that the SCN has been sent to the Noticee(s) via speed post, however, no reply to the SCN has been received. The Noticee(s) were informed vide email dated October 05, 2023 that hearing has been scheduled for the Noticee(s) on November 07, 2023. Thereafter, the Noticee(s) vide email dated October 09, 2023 for the first time raised vague and unsubstantiated objections that certain data/information is missing. Thereafter, documents as sought by the Noticee(s) from time to time were provided to the Noticee(s).

51. On November 07, 2023, the AR for the Noticee(s) appeared and raised doubt as to whether complete documents are on record or not. In order to clarify doubt of the AR, opportunity to inspect documents on record was granted to the Noticee(s) on November 10, 2023. However, the Noticee(s) expressed inability to avail opportunity of inspection. Subsequently, on December 19, 2023, the AR of the Noticee(s) was provided NSE report and annexure(s) thereto. Vide email dated December 20, 2023, the Noticee(s) were granted time of 14 days to file reply to the SCN. The Noticee(s) vide email dated January 11, 2024 sought extension of one week to file reply to the SCN. Accordingly, the Noticee(s) were granted time of 3 days to file reply to the SCN. Pursuant thereto, the Noticee(s) filed reply dated January 15, 2024. Thereafter, the Noticee(s) were granted hearing on January 18, 2024. In view of the foregoing, I find that sufficient time was granted

to the Noticee(s) to file reply to the SCN. Thereafter, sufficient opportunity of hearing was granted to the Noticee(s). Accordingly, I find no merit in submission of the Noticee(s) that deadline in violation of Enquiry Rules was fixed.

Consideration on Merits

52. Before proceeding to consider the matter on merits, I find it appropriate to refer to relevant provisions of law which are as follows: -

Provisions of SEBI Act

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

12A. No person shall directly or indirectly—

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

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

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

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

PFUTP Regulations

Definitions

2. ***(1) …***

…

…

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

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

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

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

(4) a promise made without any intention of performing it;
(5) a representation made in a reckless and careless manner whether it be true or false;
(6) any such act or omission as any other law specifically declares to be fraudulent,
(7) deceptive behaviour by a person depriving another of informed consent or full participation,
(8) a false statement made without reasonable ground for believing it to be true.
(9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.

And "fraudulent" shall be construed accordingly;

3. Prohibition of certain dealings in securities
No person shall directly or indirectly—
(a) buy, sell or otherwise deal in securities in a fraudulent manner;
(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;
(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;
(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

Explanation.– For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.

(2) Dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves any of the following:—
…
…
…

(q) any order in securities placed by a person, while directly or indirectly in possession of information that is not publically available, regarding a substantial impending transaction in that securities, its underlying securities or its derivative;

53. Before proceeding further, it is relevant to refer to the meaning of 'front running'. Hon`ble Supreme Court of India **("SC")** in the matter of Kanaiyalal (Supra), while adjudicating the question whether front running by non-intermediary is prohibited under PFUTP Regulations, observed as follows: -

> "As per the Major Law Lexicon by P Ramanatha Aiyar (4th Edition 2010), 'front running' is defined as under:
>
> **Front running** -Buying or selling securities ahead of a large order so as to benefit from the subsequent price move. This denotes persons dealing in the market, knowing that a large transaction will take place in the near future and that parties are likely to move in their favour. The illegal private trading by a broker or market-maker who has prior knowledge of a forthcoming large movement in prices.
>
> 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 non-public 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 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.
>
> 17. SEBI has defined front-running in one of its circular in the following manner-
>
> Front-running; for the purpose of this circular, front running means usage of non public information to directly or indirectly, buy or sell securities or enter into options or futures contracts, in advance of a substantial order, on an impending transaction, in the same or related securities or futures or options contracts, in anticipation that when the information becomes public; the price of such securities or contracts may change.
>
> 18. Further a consultative paper issued by SEBI had grouped front running to be an undesirable manipulative practice in the following manner-

'However, SEBI Act does not prescribe or specify as to which practice would be considered to be fraudulent and unfair trade practices. While the fraudulent and unfair trade practices are commonly understood, it would be desirable if these practices are defined specifically...this will bring about clarity among the intermediaries, issuers, investors and other connected persons in the securities markets about the practices that are prohibited, fraudulent and unfair. ...**The draft defines fraudulent and unfair trade practices. These regulations seek to cover market manipulation on the stock exchanges also. Practices like wash sales, front-running, price rigging, artificial increasing or decreasing the prices of the securities are brought within the ambit of the regulations'**

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

54. It is noted from the above that trading activity having following features can be classified as front running: -
    a) Information regarding substantial order of the Big client in a particular security, which is not publicly available;
    b) Placing of order (directly or indirectly) by the Front Runner ahead of the orders of the Big client, while in possession of above mentioned non-public information.

    By market practice, orders above the minimum lot size (particularly for large orders) are often placed in smaller tranches so as to have minimum impact on the price. The alleged Front Runner can also place his orders in tranches and can gain from placing his order(s) at any time before the last tranche of the Big Client's order. In other words, all the tranches of the order of the first leg placed by the alleged Front Runner that have been placed on or before the time of last tranche of the order placed by the Big Client, would qualify as front running transactions.

55. Placing of orders based on non-public information i.e. pre-existing knowledge about impending order of the Big client that can potentially change price of a security, can be executed in following ways to make economic gains: -

a) **<u>Buy-Buy-Sell ("BBS")</u>** –In this type of front running behaviour, the alleged Front Runner, by using the non-public information regarding an impending Buy order of the Big Client, places his Buy order before the execution of the Big Client's Buy order. As and when the Buy order of the Big Client gets executed, the price of the security rises and then the alleged Front Runner Sells the securities bought earlier, at the raised price, thereby, pocketing the difference between the new raised price of the security which is established during / post Big Client's Buy trade(s) and the price at which he had bought his securities. This pattern of front running is labelled as BBS denoting Buy by the alleged Front Runner, Buy by the Big Client, Sell by the alleged Front Runner.

b) **<u>Sell-Sell-Buy ("SSB")</u>** -In this type of front running behaviour, the alleged Front Runner by using the non-public information regarding an impending Sell order of the Big Client, places his Sell order(s) before the execution of the Big Client's Sell order. As and when the Sell order of the Big Client gets executed, the price of the security falls which gives an opportunity to the alleged Front Runner to buy back the securities at a lower price to meet his obligations which he had created earlier by selling securities. Thus, he pockets the difference between the price at which he had sold his securities and the new lower price which is established during / post Big Client's Sell trades. This pattern of front running is labelled as SSB denoting Sell by the alleged Front Runner, Sell by the Big Client, Buy by the alleged Front Runner.

56. The second leg of the Front Runner's order which encashes the "advantage" of the first leg, need not necessarily be placed after the Big Client order since the

Stock Exchanges permit “limit orders” i.e., contingent orders like “sell if the price is more than Rs. X” or “buy if the price is lower than Rs. Y. Such limit orders can be placed in advance / “waiting” for the Big Client order to come and impact the price of the scrip.

57. The aforesaid front running behavior, which is executed in the cash segment of the market, can also mirrored in the derivative segment of the market. The alleged Front Runner, in anticipation of the impact of the imminent substantial Buy order of the Big Client, will take a long position i.e., he will buy the securities/contracts and when the price of the contracts has started being impacted by the Big Client order, the alleged Front Runner will exit his position. Similarly, the alleged Front Runner will take a short position i.e., he will sell the securities / contracts, if a substantial Sell order is imminent from the Big Client and will subsequently exit his position, as and when the impact of the Big Client order prices is felt. It is clarified that the first leg of the order placed by the Front Runner, prior to the order of the Big Client qualifies as front running while the second leg of the order does not qualify as front running, but is the leg where the FR enchases the advantage that has accrued to him by front running the order(s) of the Big Client(s).

58. The BBS or SSB pattern of front running behaviour, as discussed above, if executed intra-day has the potential for generating maximum proceeds. The reason being, the impact of the substantial order of the Big Client on the price of the scrip will be more on the same day as opposed to next day as the price of the scrip may “revert” post Big Client’s trade. In other words, the probability of getting a better price difference between the two legs of the orders of the front runner, is higher, if executed on the same day, as opposed to the two legs being executed over two days.

59. In front running scheme **(“FR Scheme”),** various entities, who are connected with each other, including through relation, friendship, common address or call data records **(“CDRs”)** or through fund transfers (the list is not exhaustive but is merely indicative in nature), play their respective roles/ part, so as to take

advantage of an impending substantial order of the Big Client and place their orders in either SSB pattern or BBS pattern to gain economic advantage. Such entities attempt to portray the trades that have ‘front run’ orders of the Big client as trades executed in normal course of trading. Sometimes, multiple entities are involved in a FR Scheme to enable layering between the source of non-public information and entities who execute trades or whose trading account is used to execute the trades. It is done in an attempt to escape regulatory detection and maintain anonymity of participants of FR scheme, who can be reasonable said to have access to the non-public information of the Big client.

60. The participants of a FR scheme can be broadly classified as follows: -

a) **Information Carrier (“IC”)** –IC are entities who have access to or have come to be in possession of the non-public information of the Big Client in some form or the other, in terms of content.

b) **Front Runner Account Holders (“FRAHs”)** –Front Runner Account Holders are the registered owners of the accounts in which front running behavior is observed. The orders in these accounts may or may not be placed by the owners themselves.

c) **Mule Account Holders(“MAHs”)**–These are entities who are directly/indirectly recruited/employed by an IC who operates and controls their trading account and the other accounts viz. demat account and bank account, which are linked to the said trading account. The 3 accounts namely trading account, demat account and bank account are collectively referred to as “Account Set”. Thus, MAHs are a subcategory under FRAH.

61. The front running behaviour can be implemented, inter alia, by the IC in the following two ways:

a) **Own trading account** –The entity after receiving the non-public information or if he himself is in possession of the non-public information, will execute the trades in either BBS pattern or in SSB pattern, from his own trading account and will try to pass off the ‘front run’ trades as his normal trading behaviour. In such cases, the entity is an IC as well as FRAH.

b) **Using other persons' trading accounts** –The entity(IC) after receiving non-public information or if he himself is in possession of the non-public information, may along execute the trades from others account either himself or through another person, as part of FR scheme, directly or indirectly. This FR scheme can inter alia, be executed in two ways.

i. The first is where the other person plays an active role in the FR scheme and either has full knowledge/ understanding of his actions or at the very least, can be reasonably expected to have knowledge/understanding that the trades are not in the way of normal trading. In other words, the registered owner of the trading account (FRAH) is in nexus with the IC in the FR scheme. Generally, the proceeds in such cases are shared between the IC and FRAH.

ii. There is another way of implementing this strategy which is through Mule Accounts which can be as follows: -

a) **Ownership of the trading account:** The trading account is opened based on the KYC documents. The registered owner of the trading account is the person named in the KYC document. The other linked accounts with the trading account viz., demat account and bank account are also opened in the name of the KYC document holder.

b) **Operation of Account Set:** Though the Account Set is in the registered owner's name, often it is operated and controlled, directly / indirectly by the IC (at least for a certain period of time) or at times jointly with the account holder. In other words, the registered owner of the Account Set has little or no any say in the transactions that are happening in the Account Set during the Relevant Period.

c) **Beneficiary of the Account Set:** The Account Set is operated predominantly for the benefit of the IC and or his connected entities. The IC, depending on the arrangement with the MAH, may or may not monetarily or otherwise compensate him.

62. Mule accounts can inter alia, be classified as follows:

a) **"Family and Friends" account:** These are the trading accounts which are "lent" by the persons known to the IC. For e.g., from family members, extended family members, friends, acquaintances etc. The IC gets access to the aforesaid trading accounts based on trust or on the strength of relationship between him and the registered owner of the trading account. For such "lent" accounts, the registered owner of the accounts, may or may not have complete knowledge about the particulars of the trades being executed from his trading account.

b) **"On rent" account:** These are the trading accounts which are "on rent" from persons who were approached by the IC. The IC pays a commission to the registered owner for having operational control over the Account Set of the person recruited for this purpose including the trading account, demat account and bank account. The registered owner, in such instances, has no knowledge about the transactions that are being carried out from his trading account.

c) **Fraudulent Account:** The IC by using fraudulent / forged /synthetic identities, can open a new Account Set that cannot be traced back to him and will then execute the front running trades through such Account Set i.e., a mule.

d) **Dormant Account:** The IC after identifying a dormant trading account will update the material information in KYC, for instance, mobile number, bank account details etc., before executing trades. Thus, the registered owner of the said dormant trading account may have no knowledge of transactions taking place from his trading account. 12.2.4.5.

e) **"Misused KYC" Account:** Here the IC after getting his hands on documents required for KYC, may open the Account Set. Thus, the Account Set would be opened by misusing KYC documents. In such a scenario, the person to whom the documents pertain, does not even know that an account has been opened in his name.

f) **"Coerced" Account:** In this situation, the IC may exhort/ influence a person over whom he has some kind of authority (superior subordinate relationship) to sign papers / open an Account Set, which he can operate / control for his own benefit. The person who is the registered owner of the Account Set, may or may not have any knowledge / understanding of the use to which the accounts are being put.

63. Distinction between "front run" trades/"camouflage trades" or "genuine trades" can be found by analyzing the period/patch where the non-suspect trading activity has been carried out by the entity. It can be either before or after the Relevant Period i.e., period / patch of suspected trading activity by the entity. The period / patch of non-suspect trading activity by the entity will demonstrate the differences in trading behavior of the entity on various parameters including gross traded value, whether he executes intra-day trades or delivery based trades, number of scrips on an average that he trades, frequency of trading, whether he trades in both the segments of the market, the kind of securities that he deals in and the particulars of his orders (whether at LTP or below LTP or over the LTP), the time of the day when the orders are placed etc. The aforesaid list is not an exhaustive list but is merely indicative in nature. The aforementioned parameters will help in unmasking the front running trades of the entity which he is trying to pass off as genuine trades, as there would be a marked deviation in his normal trading behaviour when judged on one or more of the said parameters. For instance, if one has to analyse the trading activity of the entity based on frequency of trading or gross traded value, then there could be a substantial jump in the volume or the amount of gross traded value of suspect orders vis-a-vis the amount in non-suspect orders which were executed in the period/patch, prior or

after, the Relevant Period. Similarly, there could also be an increase in the intra-day trading activity in terms of value and number of securities. One of the plausible conclusions one can derive for this kind of discernible change in trading behavior of the entity, wherein his risk appetite increases, could be that he has become privy to non-public information of the Big Client which is enabling him to behave differently from his past / normal trading behavior. The same enables him to, on the face of it, take much higher risk, and / or possibly generate more proceeds.

64. Furthermore, in order to find out difference between front running trades and genuine trades, when both the trades are placed on the same day, the relevant factors would be the timing of placement of the orders of the entity around the orders of the Big Client, the type of the order (buy or sell) vis-à-vis the order of the Big Client, quantity of the order, whether the order was squared off the same day / within couple of days or the entity held the said shares for a considerable period of time, whether the entity has previous history of trading in the said scrip etc. The aforesaid factors are not comprehensive but merely indicative in nature. The aforementioned factors will assist in distinguishing genuine trades from the front running trades as particulars of a front running trade are heavily influenced by the orders of the Big Client.

65. In the above backdrop, I proceed to examine the present case. I note that Big client is connected to a listed entity i.e. RKL as Big client is promoter group company of RKL. At the relevant time, Mr. Sunil Gupta was Vice President - Finance of RKL but he was on deputation to the Big client to look after financials and investment matters of the Big client. Mr. Sunil Gupta was authorized person for taking investment decisions to invest on behalf of the Big client. At the relevant time, Noticee No.1 was on payroll of Radico NV Distilleries but he was on deputation to the Big client. Noticee No.1 along with Mr. Chetan Jain, Mr. Gaurav Singhal and others was in team of Mr. Sunil Gupta. Work profile of Noticee No.1 included technical analysis of stocks in securities market. As per statement dated May 22, 2023 of Mr. Sunil Gupta, Mr. Sunil Gupta used to identify sectors, which look appropriate for investments, do some fundamental analysis. Then,

investment team used to take support from Mr. Chetan Jain and/ or Noticee No.1, who were research analyst, for the purpose of taking views on technical side and/or any recent corporate or public announcements. Once investment team identified the trade, Order used to be communicated to Mr. Chetan Jain and/or if he is not available to Noticee No.1, to advise Mr. Gaurav Singhal(dealer) to place order with broker. Once the order was communicated to Mr. Chetan Jain and/or Noticee No.1 and the same was advised for trade, all people who used to sit in the trading room viz., Mr. Chetan Jain, Noticee No.1, Mr. Gaurav Singhal used to come to know about the trade.

66. Further, Mr. Sunil Gupta has stated that all persons in trading room used to carry mobile phones and Noticee No.1 was allotted laptop by office, which they used to carry inside trading floor. The general websites were accessible through internet LAN connections on devices in trading floor. The terminals were connected to the LAN. The Noticee(s) have neither disputed statement of Mr. Sunil Gupta nor sought cross examination of Mr. Sunil Gupta.

67. In view of Mr. Sunil Gupta`s statement dated May 22, 2023 and Noticee No.1`s statement dated June 22, 2023, I find that Noticee No.1 had access as well as possession of information about impending orders of the Big client. I find no merit in submission of the Noticee No.1 that Noticee No.1 was not involved in the decision making process or he was not the person placing the order.

68. The Noticee No.1 in his statement recorded on June 22, 2023 has admitted that he used to trade from account of Noticee No.2 with 5 paisa and operate bank account linked to trading account of Noticee No.2. Noticee No.1 has stated that he used to place trades through mobile. I note that trading account of Noticee No.2 with 5 paisa was opened in July 2021. ICICI Bank account linked to trading account of Noticee No.2 was opened in February 2020. From analysis of IP details for trades executed by the Big client (via Aditya Birla Money Limited) and Noticee No.1 from the account of Noticee No.2 (via 5 Paisa), as stated in Table No.4 and 5 above, I find that most of the times IP details were common. During market hours, location of mobile number, mentioned in KYC records of Noticee

No.2, showed location of office of the Big client where Noticee No.1 used to sit. Analysis of attendance record of Noticee No.1 showed that FR trades from the account of Noticee No.2 were executed on those days when Noticee No.1 was present in the office of the Big client. In view of foregoing facts, I find that Noticee No.1, while having access as well as possession of information about impending orders of the Big client, executed trades, as alleged in the SCN, from account of Noticee No.2 based on such information. In order to avoid being detected, Noticee No.1 used account of Noticee No.2 to execute such trades.

69. The Noticee(s) have submitted SEBI in the SCN has placed reliance on definition of front running, which was put to use by the Hon`ble Supreme Court in the matter of Kanaiyalal Baldevbhai Patel(Supra), but used a truncated version of such definition. As per complete definition set down by P. Ramanatha Aiyar, for front running it is necessary to establish that trading was carried out by a person in a fiduciary capacity holding non-public information about an impending transaction. Noticee No.1 did not share intermediary client relationship with the Big client, thus, Noticee No.1 had no fiduciary duty towards the Big client which restricted him from doing trading activities. Noticee No.1 relationship with the Big client was not mutually exclusive one but collaborative one, wherein, Noticee No.1 was free to relay its research to the Big client for its use or use his research for his benefit or benefit of his family members. Noticee No.1 arrangement with the Big client did not forbade him from using such report for himself. Noticee No.1 pooled its expertise to provide market analysis to the investment team of the Big client which in turn conducted independent deliberations upon the analysis received and made investment decisions in consultation with the Noticee No.1. Thereafter, Noticee No.1 executed his own trade and the Big client executed its own trade.

70. Further, it is submitted by the Noticee(s) that the Hon`ble SAT in the matter of Rajiv R. Sanghi Neelam Vs. SEBI, Appeal No. 329 of 2014 decided on December 21, 2017, set down that even a non-intermediary can be found guilty of front running provided that trade under investigation ought to be shown to have been carried with help of non-public information. Noticee No. 1 executed trades based on his own knowledge and analysis drawn from publicly available information.

Noticee No.1 neither traded by relying on non-public or illegally sourced or price sensitive information or confidential information.

71. Further, the Noticee(s) have submitted that Noticee No.2 is senior citizen residing in Himachal Pradesh with limited income, education, technological proficiency and no work experience in securities market. Noticee No.1 used his education, skills and experience in securities market to carry out beneficial investments for benefit of Noticee No.2 to supplement household income of Noticee No.2. Further, it is submitted that it is not uncommon for elders to entrust their confidential private and financial information to their children.

72. Further, the Noticee(s) have submitted that the Hon`ble Supreme Court in Kanaiyalal (supra), while laying down the way the charges under PFUTP Regulations ought to be approached, has held that SEBI needs to establish front running case by demonstrating that harm was induced due to materialization of undisclosed risks resulting from fraudulent practices.

73. I note the SCN has made reference to definition of front running, provided under Major Lax Lexicon by P. Ramanathan, to state essential element of front running which is buying or selling securities ahead of large order to benefit from the subsequent price move. Later part of such definition which read as *"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."* merely elaborated the above idea. I note that such definition is not exhaustive so as to cover all front running behavior. In this regard, Hon`ble Supreme Court in para 19 of its judgment in the matter of Kanaiyalal (Supra) has observed that *"In actuality, front-running is more complicated than these definitions suggest. It comprises of at least three forms of conduct………"*. On basis of later part of such definition, the Noticee(s) have contended that existence of fiduciary duty and breach thereof are essential ingredients for front running. In my view, fiduciary duty and breach thereof will exist in case of front running by intermediaries. In this regard, Hon`ble Supreme

Court in para 34 of Kanaiyalal (Supra) observed *"In our opinion such submission cannot be sustained in the eyes of law as the intention of the legislation was to provide for a catchall provision and the deeming provision under sub-clause (q) of regulation 4(2) was specifically provided as the intermediary are in fiduciary relationship with the clients. There is no dispute as to the fact that a fiduciary must act in utmost good faith; he should not act for his own benefit or benefit of any third party without the informed consent of his client. The essential irreducible core of fiduciary duty is the duty of loyalty. Such heightened standard demanded a deeming provision under the FUTP 2003."*

74. Front running in case of non-intermediaries may or may not have existence of fiduciary duty and breach thereof. For e.g. In case, a person other than client while sitting in office of a broker comes to know about impending trades of the Big client and execute trades in the nature of BBS/SSB on basis of such information. In such case, even though there is no fiduciary duty between such person and broker or between such broker and the Big client, however, still such person can be held liable for front running. Existence or non-existence of fiduciary duty cannot be touchstone to determine whether trading behavior is front running or not. Hon`ble Supreme Court in Kanaiyalal (Supra) as well as Hon`ble SAT in Rajiv R. Sanghvi (Supra) have held that front running by non-intermediary is covered under the prohibition prescribed under Regulation 3 and 4(1) of PFUTP Regulations. In the present case, Noticee No.1 has admitted that he was employed with Radico NV Distilleries but he was on deputation to the Big client. His work at the Big client involved technical analysis for the Big client. Therefore, I find no merit in the submission of the Noticee(s) that Noticee No. 1 was not having intermediary and client relationship with the Big client, thus, Noticee No.1 had no fiduciary duty towards the Big client.

75. I have observed in para 67 above that Noticee No.1, while having access as well as possession of information about impending orders of the Big client, executed trades, as alleged in the SCN, from account of Noticee No.2 based on such information. In order to avoid being detected, Noticee No.1 used account of Noticee No.2 to execute such trades. Noticee No.1 has not furnished any

documentary evidence demonstrating nature of Noticee No.1 relationship with the Big client. On one hand Noticee No.1 has contended that Noticee No.1 relationship with the Big client was collaborative and did not prohibit him from making use of his research for his private purposes. However, on the other hand, the Noticee No.1 in order to escape detection has executed trades from the account of Noticee No.2. For the foregoing reasons, I find no merit in submission of Noticee No.1 that Noticee No.1 shared cooperative relationship with the Big client and Noticee No.1 was not prohibited from using his research report. Also, I find no merit in submission of Noticee No.1 that Noticee No.1 executed trades from account of Noticee No.2 based on independent analysis and publicly available information. I find that trades executed by Noticee No.1 from the account of Noticee No.2 were actuated by information about impending orders of the Big client.

76. With respect definition of fraud in Regulation 2(1)(c) of PFUTP, the Hon`ble Supreme Court in the matter of Kanaiyalal (Supra) has observed as follows: -

> *"26. There is no dispute as to the fact that fraud is jurisprudentially very difficult to define or cloth it with particular ingredients. A generalized meaning may be difficult to be attributed, as human ingenuity would invent ways to bypass such behaviour…………………..*
>
> *5. If Regulation 2(c) of the 2003 was to be dissected and analyzed it is clear that any act, expression, omission or concealment committed, whether in a deceitful manner or not, by any person while dealing in securities to induce another person to deal in securities would amount to a fraudulent act. The emphasis in the definition in Regulation 2(c) of the 2003 Regulations is not, therefore, of whether the act, expression, omission or concealment has been committed in a deceitful manner but whether such act, expression, omission or concealment has/had the effect of inducing another person to deal in securities.*
>
> *6. The definition of 'fraud', which is an inclusive definition and, therefore, has to be understood to be broad and expansive, contemplates even an action or omission, as may be committed, even without any deceit if such act or omission has the effect of inducing another person to deal in securities. Certainly, the definition expands beyond what can be normally understood to be a 'fraudulent act' or a conduct amounting to 'fraud'. The emphasis is on the act of inducement and the scrutiny must, therefore, be on the meaning that must be attributed to the word "induce"…..*
>
> *8……The difference between inducement in criminal law and the wider meaning thereof as in the present case, is that to make inducement an*

offence the intention behind the representation or misrepresentation of facts must be dishonest whereas in the latter category of cases like the present the element of dishonesty need not be present or proved and established to be present. In the latter category of cases, a mere inference, rather than proof, that the person induced would not have acted in the manner that he did but for the inducement is sufficient. No element of dishonesty or bad faith in the making of the inducement would be required."

77. I note that the Noticee(s) in the process of front running trades of the Big client have not only interfered with the market forces of supply and demand of a particular scrip but have also artificially influenced the price and volume of the scrip and have thus, prima facie distorted them. The actions of the Noticee(s) have not only prima facie mislead the investors but have also induced them to deal in securities to their detriment. Therefore, I find no merit in submission of the Noticee(s) that SEBI needs to establish charges in a front running case by demonstrating that harm was induced due to the materialization of undisclosed risks resulting from fraudulent practices.

78. I note that the Noticee(s) have submitted that there was no intentional matching of trades. Trades of the Noticee(s) coincidentally matched with trades of the Big client as trades conducted during long order window have been considered as BBS/SSB trades without regard to the fact that these scrips are highly liquid. In support thereof, the Noticee(s) have stated example of GLENMARK scrip, wherein trade was executed from account of Noticee No.2 on December 01, 2021 which has been characterized as SSB.

79. Noticee(s) trade details in scrip of GLENMARK on December 01, 2021 is tabulated hereunder: -

Table No. 7

	Date	**Security Name /Contract**	**Trade Qty**	**order start time**	**order end time**	**Trade Start Time**	**Trade End Time**
Noticee Sell	01-Dec-2021	GLENMARK	5100	9:17:04	2:34:40	9:17:04	2:34:40
Big Client Sell			60000	9:25:08	2:35:39	9:25:08	2:35:39
Noticee Buy			5100	9:22:45	2:36:38	9:25:30	2:36:38

80. Considering number of scrips which was common in trades of the Big client and the Noticee(s), time difference between trades of the Noticee(s) and the Big client, Noticee No.1 access and possession of information about impending orders of the Big client and placing of order by Noticee No.1 from account of Noticee No.2 to avoid detection, I find no merit in submission of the Noticee(s) that matching of trades of the Noticee(s) and the Big client was unintentional or was due to consideration of long order window .

81. Further, the Noticee(s) have submitted that, if the assessment of FR is actually based on the Buy/Sell Match Values, then several intraday trades conducted from the accounts of Noticee No.2 and the Big client were characterized as SSB/BBS front running even though they did not share any Buy/Sell Match quantity. For e.g. trades of UNIONBANK scrip made on the trade date January 25, 2022, trades of GPIL scrip made on the trade date December 14, 2021, and trades of IBULHSGFIN scrip made on the trade date August 30, 2021.

82. Noticee(s) trade details in scrip of UNIONBANK, GPIL and IBULHSGFIN on January 25, 2022, December 14, 2021 and August 30, 2021 are tabulated hereunder: -

Table No. 8

	Date	**Security Name /Contract**	**Trade Qty**	**order start time**	**order end time**	**Trade Start Time**	**Trade End Time**
Noticee Sell	25-Jan-2022	UNIONBANK	22409	12:29:40	12:34:09	12:29:40	12:34:23
Big Client Sell			300000	12:33:55	12:33:55	12:37:11	12:37:11
Noticee Buy			22409	12:34:58	12:35:17	12:37:11	12:37:11
Noticee Sell	14-Dec-2021	GPIL	7290	9:34:15	9:59:36	9:34:15	10:05:21
Big Client Sell			10000	9:36:03	11:42:45	9:36:03	11:43:05
Noticee Buy			7290	10:16:07	10:16:07	10:17:13	10:17:32
Noticee Buy		IBULHSGFIN	15500	12:26:16	14:14:05	12:26:36	14:14:05

	Date	Security Name /Contract	Trade Qty	order start time	order end time	Trade Start Time	Trade End Time
Big Client Buy	30-Aug-2021		148800	12:33:08	14:14:22	12:33:08	14:14:22
Noticee Sell			15500	12:31:59	14:24:16	12:33:16	14:24:16

83. In my view, matching of Buy/Sell values or quantity of the Big client and the front runner is not necessary to term trading behavior as front running. For considering allegation of front running, pattern of trading of front runner and the Big client, commonality of scrip, time difference between trades of front runner and the Big client are some of the relevant considerations. Accordingly, I find no merit in submission of the Noticee(s) that trades where Buy/Sell quantities do not match with Buy/Sell quantities of the Big client have been considered to be front running trades.

84. For the foregoing reasons, I find that Noticee No.1, while having access and possession of information about impending trades of the Big client, executed trades in NSE equity segment and NSE equity derivative segment from the account of Noticee No.2 based on impending orders of the Big client. Noticee No.2 aided and abetted Noticee No.1 in implementation of such scheme as Noticee No.2 did not raise any objection to use of her account for purpose of front running. Thus, I find that Noticee No.1 and 2 committed fraud within meaning of Regulation 2(1)(c) of the PFUTP Regulations, thereby, Noticee No.1 and 2 violated Section 12A(a), (b), (c), (e) of the SEBI Act and Regulation 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(q) of PFUTP Regulations. Accordingly, I find that Noticee No.1 and 2 are liable to be imposed with appropriate penalty under Section 15HA of the SEBI Act. Further, I find that appropriate directions need to be issued to Noticee No.1 and 2 for such violations.

85. Section 15 HA of the SEBI Act provides for penalty which shall not be less than Rs.5 Lakh but which may extend to Rs. 25 Crore or 3 times the amount of profits made out of such practices, whichever is higher. While determining the quantum

of penalty under the SEBI Act, it is important to consider the factors stipulated in section 15J of the SEBI Act which are as follows: -

(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

86. As per the SCN, the Noticee(s) have made following profit by engaging in front running: -

Table No. 9

NSE	Profit in equity segment	107 FR instances	Rs. 26,84,086
	Profit in equity derivative segment	42 FR instances	Rs. 11,94,530
	Total profit earned		**Rs. 38,78,616 (Rs. 38.8 Lakhs)**

87. The Noticee(s) have submitted that allegation in the SCN are that ill- gotten gains in respect of the trades are on account of Front Running matches, then any calculations of ill-gotten gains should be restricted to the percentage of matches claimed by SEBI in its order sheets. However, the calculation for ill-gotten gains against each scrip has been made on the total trade value of that day and not on the matched trades. Any departure from this approach would be misapplication and miscalculation of the profits purportedly made by Front Running.

88. In my view, all trades of the Noticee(s) which were actuated by non-public information about impending orders of the Big client should be taken into consideration for calculation of ill-gotten gains made by the Noticee(s). Acceptance of Noticee(s) submission will result into exclusion of trades which were actuated by such non-public information but matched with orders of persons other than the Big client. In my view, consideration of Noticee(s) trades which matched with the Big client only will result in unjust enrichment of the Noticee(s). Thus, I reject submission of the Noticee(s) that calculation of ill- gotten gains

should be restricted to the percentage of matches of trades of the Noticee(s) with trades of the Big client. Accordingly, I find that Rs.38, 78, 616/- (Rupees Thirty-Eight Lakh Seventy-Eight Thousand Six Hundred Sixteen Only) is illegal gain made by the Noticee(s) by executing trades in nature of front running in violation of abovementioned provisions of the SEBI Act and PFUTP Regulations. Thus, I find that the Noticee(s) are liable to disgorge the said amount.

89. I note that the Noticee(s) placed FR trades during July 2021 to June 2022 i.e. for period of about 1 year. In view of the above, I find that necessary directions are required to be issued and appropriate penalty is required to be imposed on the Noticee(s). I find that penalty for amount of twice the amount of illegal gain made by the Noticee(s) by engaging in front running is appropriate in the facts and circumstances of the present case.

ORDER

90. In view of the above, I, in exercise of powers conferred on me in terms of Section 11(1), 11(4), 11(4A), 11B(1), 11B(2) and 19 of the SEBI Act, 1992, and Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 do hereby pass the following directions, in the interest of investors and market integrity:

   a. Noticee No. 1 and 2 are directed to disgorge, jointly and severally, a sum of Rs.38, 78, 616/- (Rupees Thirty-Eight Lakh Seventy-Eight Thousand Six Hundred Sixteen Only) within 45 days from the date of this order and the same shall be credited into the Investor Protection and Education Fund (IPEF) referred to in Section 11(5) of the SEBI Act, within 45 days from the date of this order;

   b. Noticee No. 1 and 2 are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities (including units of mutual funds), directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of Three year, from the date of this order;

c. Noticee No. 1 and 2 are hereby imposed with penalty of Rs.77,57, 232/- (Rupees Seventy Seven Lakh Fifty Seven Thousand Two Hundred Thirty Two Only) under Section 15HAof the SEBI Act, to be paid by them jointly and severally;

d. The Noticee(s) shall remit / pay the said amount of penalty, within a period of forty-five (45) days from the date of receipt of this order, through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of EDs/CGMs -> PAY NOW. In case of any difficulty in online payment of penalty, the Noticee(s) may contact the support at portalhelp@sebi.gov.in.

e. The Noticee(s) shall forward details of the online payment made in compliance with the directions contained in this Order to the Division Chief, IVD-ID-04, SEBI, SEBI Bhavan II, Plot no. C -7, "G" Block, Bandra Kurla Complex, Bandra(E), Mumbai-400 051" and also to e -mail id: -tad@sebi.gov.in in the format as given in table below:

Case Name	
Name of the Payee	
Date of Payment	
Amount Paid	
Transaction No.	
Bank details in which payment is made	
Payment is made for: Penalty or Disgorgement	

f. The obligation of the Noticee(s), restrained/ prohibited by this Order, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange(s), as existing on the date of this Order, are allowed to be discharged irrespective of the restraint/prohibition imposed by this Order. Further, all open positions, if any, of such Noticee(s) in the F& O segment of the recognised stock exchange(s) are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.

91. This order shall come into force with immediate effect.

92. A copy of this order shall be sent to the Noticee(s), all the recognized Stock Exchanges, Depositories, and Registrar, Transfer Agents of Mutual Funds, to ensure that the directions given above are strictly complied with.

Date: March 26, 2024
Place: Mumbai

G RAMAR
CHIEF GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA