National Stock Exchange of India

Circular

Department: Investigation	
Download Ref No: NSE/INVG/63142	Date: July 30, 2024
Circular Ref. No: 354/2024	

To All NSE Members,

Sub: **SEBI Order in the matter of front running by Alka Jain (Big Client- Sapphire Intrex Limited)**

This is with reference to SEBI Order No. QJA/AA/IVD-2/ID24/30599/2024-25 dated July 30, 2024, wherein SEBI has restrained following entities from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for the periods mentioned in SEBI order.

Noticee No.	Name of Noticee	PAN	Period of Debarment
1	Gaurav Singhal	AUFPK1050K	2 years
2	Alka Jain	ASJPJ4155A	1 years

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

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

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

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

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

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

National Stock Exchange of India

For and on behalf of
National Stock Exchange of India Limited

Sandesh Sawant
Senior Manager

ANNEXURE: SEBI Order in the matter of front running by Alka Jain (Big Client- Sapphire Intrex Limited)

QJA/AA/IVD-2/ID24/30599/2024-25

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTIONS 11(1), 11(4), 11(4A), 11B(1), 11B(2) READ WITH SECTION 15HA OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AND RULE 4 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of:

Sr. No.	Noticee Name	PAN
1.	Gaurav Singhal	AUFPK1050K
2.	Alka Jain	ASJPJ4155A

In the matter of front running by Alka Jain (Big Client- Sapphire Intrex Limited)

BACKGROUND:

1. The Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") carried out an investigation in the matter of suspected front running of the trades of Sapphire by Ms. Alka Jain (hereinafter referred to as "**Noticee No. 02**") during the period from January 01, 2021 to December 31, 2021 (hereinafter referred to as the "**Investigation Period**" or "**IP**") pursuant to an alert generated by National Stock Exchange (hereinafter referred to as "**NSE**"). SEBI examined possible violations of the provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the "**SEBI Act, 1992**") read with the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as the "**PFUTP Regulations, 2003**") by Noticee No. 2. Upon investigation, it was observed that one Mr. Gaurav Singhal (hereinafter referred to as "**Noticee No. 1**") and Noticee No. 2 (collectively referred to as the "**Noticees**") had front run the impending orders of the Big Client and thereby violated the provisions of Section 12A(a), (b), (c), (e) of the SEBI Act, 1992 read with Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(q) and Regulation 2(1)(c) of the PFUTP Regulations, 2003 during the period of investigation.

SHOW CAUSE NOTICE, REPLY AND HEARING

2. A Show Cause Notice dated January 24, 2024 (hereinafter referred to as "**SCN**") was issued to the Noticees calling upon them to show cause as to why suitable direction(s), under Sections 11(1), 11(4), 11(4A), 11B(1) and 11(B)(2) read with Section 15HA the SEBI Act, 1992 and Rule 4 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, including directions for disgorgement, should not be issued against them for the alleged violations of the provisions of Section 12A (a), (b), (c), (e) of SEBI Act, 1992 read with Regulation 3(a), 3(b), 3(c), 3(d), 4 (1) and 4 (2)(q) read with Regulation 2(1)(c) of the PFUTP Regulations, 2003. The aforesaid SCN was issued to Noticee No. 1 (*Mr. Gaurav Singhal*) at the address viz. *KH-124, New Kavi Nagar Ghaziabad, Uttar Pradesh – 201002* and to Noticee No. 2 (*Ms. Alka Jain*) at the address viz. *Flat No. B-2, Pushpa Akash Apartment, Section – 01, Vaishali, Ghaziabad, Uttar Pradesh – 201010*. However, as per the available records, the said SCN was returned undelivered. The SCN was attempted to be delivered to the Noticee via email dated February 22, 2024 on email ids available on record viz. alkajain.id@gmail.com, Gaurav.stockid@gmail.com, stockdata50@gmail.com and jain.alka1985@gmail.com and the same was duly delivered.

3. I note that the SCN, *inter alia*, alleged the following:

3.1. Sapphire is a Non-Banking Financial Company (hereinafter referred to as "**NBFC**") registered with the Reserve Bank of India (hereinafter referred to as "**RBI**") as a non-deposit-taking NBFC mainly engaged in the business of investing and trading in securities/commodities. It is a promoter group company of Radico Khaitan Ltd, a listed company. During the investigation period, it was observed that Noticee No. 1 was employed with Sapphire and was the dealer responsible for executing the trades with respective brokers either through the Internet Based Trading (hereinafter referred to as "**IBT**") platform or calling up broker offices. The same has been confirmed by Noticee No. 1 in his statement recorded before the Investigating Authority. Noticee No. 1 is brother-in-law of Noticee No. 2.

3.2. That Noticee No. 1 used the mobile number issued in the name of Mr. Surendra Kumar Jain, father-in-law of Noticee No. 1 and father of Noticee No. 2 to open an email ID in the name of Noticee No. 2. The aforesaid email ID and mobile number were used to create and operate the bank account which was further used to create and operate a trading account in the name of Noticee No. 2. It was alleged that the aforesaid trading account was used to front run the trades of Sapphire.

3.3. That Noticee No. 1 operated the bank account, trading accounts, e-mail account opened in the name of Noticee No. 2 and also used the mobile number associated with these accounts to front run the trades of Sapphire in the name of Noticee No. 2.

3.4. That Noticee No. 1 based on advance knowledge about the impending orders of Sapphire placed orders through the trading account of Noticee No. 2 in the same scrips viz. JKTYRE, Tata motors, Apollo, etc, in which trading was being carried out by Sapphire and indulged in front running thereby making a wrongful gain of INR 50,51,121/-.

4. I note that the following documents were enclosed as annexures along with the SCN:

Table 1

Annexures to SCN	
Annexure No.	**Particulars**
1	Details of big client
2	Email dated May 16, 2023 received from Angel Broking
3	Email dated May 19, 2023 received from Angel Broking
4	Copy of statement on oath of Mr. Sunil Gupta, Vice President, Finance and Account in Radico Khaitan Ltd.
5	Copy of statement on oath of Noticee no. 1
6	Copy of statement on oath of Noticee no. 2
7	Customer Application Form for the SIM mobile number - 9315667927
8	Information obtained from Google LLC in re Ms. Alka Jain's email ID

9	Customer Relationship Form submitted to ICICI Bank
10	Account Opening Form with Angel Broking of Ms. Alka Jain
11	Email dated June 22, 2023 from Shyam Spectra Private Limited (ISP)
12	Email dated May 10, 2023 received from Sapphire
13	Information from ICICI Bank re Mr. Gaurav Singhal's account held with ICICI Bank and device details
14	Reply of ISP - Atria Convergence Technologies Limited
15	Account opening form of Ms. Alka Jain with Angel Broking
16	Consolidated sheet of FR instances including the profits gained for the entire investigation period provided by NSE
17	Details of orders of both FR (Ms. Alka Jain) and Big Client (Sapphire) at NSE
18	Details of orders of both FR (Ms. Alka Jain) and Big Client (Sapphire) at BSE

5. However, no reply was received. An opportunity of personal hearing was granted to the Noticees on March 14, 2024 vide hearing notice/s dated February 29, 2024. The Noticees acknowledged receipt of SCN vide their email dated March 08, 2024 and made the following submissions:

5.1. Noticee No. 2 is facing challenges in accessing the SCN as several pages are unopenable, leading to errors upon attempted access.

5.2. The email dated February 22, 2024 contains only the SCN and the accompanying annexures are absent. Physical copy of the SCN has not been received by the Noticees.

5.3. Non-receipt of complete set of documents is depriving the Noticees of crucial information.

5.4. Noticee No. 1 further stated that scheduling of hearing on March 14, 2024, given the incomplete delivery of SCN is a compromise of principles of natural justice.

5.5. In addition, the Noticee No. 1 stated that certain vital information / documents / data referred to / relied upon in the SCN is also not provided to the Noticees. A list of such data / information was also enlisted by the said Noticee.

5.6. Thus, the Noticees requested for adjournment of the scheduled hearing on March 14, 2024 to some other date after providing all the documents to the Noticees.

6. On consideration of the aforesaid submissions and in compliance with the principles of natural justice the hearing scheduled on March 14, 2024 was adjourned and rescheduled to April 16, 2024. Further, an opportunity of inspection of documents was also provided to the Noticees. The same was communicated to the Noticees vide email dated March 13, 2024. I note that by way of the aforesaid email the Noticees were also requested to provide latest address to ensure faster delivery of annexures and documents as the annexures were bulky and could not be sent through email.

7. In response to the email dated March 14, 2024 sent by SEBI, the Noticees vide their email dated March 22, 2024 while acknowledging the receipt of hearing notices issued by SEBI, provided their address. I note that the addresses provided by the Noticees were same as per Paragraph No. 2 i.e., the addresses to which SCN dated January 24, 2024 was issued and returned undelivered. Noticees further stated that they were not in receipt of legible copies of SCN and accompanying annexures and relevant documents and *inter alia,* requested:

7.1. To provide the complete, legible copies of the SCNs, accompanying annexures and other relevant and relied upon documents

7.2. To adjourn the opportunity of hearing scheduled on April 16, 2024

7.3. To reserve the right to inspect files once in receipt of documents as sought vide aforesaid email dated March 22, 2024.

8. The adjournment request of the Noticees was acceded to considering the submissions made by them vide their email dated March 22, 2024.

9. On perusal of records, I note that the documents were resent to the Noticees on March 23, 2024 at the addresses provided by the Noticees. The delivery of the same with respect to Noticee No. 1 was confirmed on March 27, 2024 whereas the documents sent to Noticee No. 2 returned undelivered.

10. Pursuant to the issuance of SCN and delivery of the annexures to the SCN, since considerable time had passed and no reply on merits was filed by the Noticees, in compliance with the principles of natural justice, an opportunity of personal hearing was granted to the Noticees vide hearing notice dated June 11, 2024 on June 26, 2024. It is noted that the aforesaid hearing notice alongwith SCN dated January 24, 2024 and its annexures was sent to the Noticees at their address as provided by the Noticees vide email dated March 22, 2024. I note that the aforesaid hearing notice, SCN and annexures were delivered to Noticee No. 1 on June 18, 2024 and to Noticee No. 2 on June 20, 2024.

11. Noticee No.1 appeared on the scheduled date i.e. on June 26, 2024, and made submissions on behalf of self as well as Noticee No. 2. Post completion of hearing, Noticee No. 1 vide email dated June 27, 2024 submitted an authority letter by which Noticee No. 2 authorized the said Noticee to represent her in the matter. On the date of hearing, in addition to the oral submissions, Noticee No. 1 also submitted a reply to the SCN dated January 24, 2024 on merits on behalf of both the Noticees which was taken on record. The written and oral submissions made by the Noticees in their reply and during the hearing on June 26, 2024 are as under:

11.1. That Noticee No. 1 has been a dealer since the year 2008 and has been employed in Sapphire Intrex since the year 2014.

11.2. That Noticee No.1 operated the bank account and trading account in the name of Noticee No. 2 and that the allegations as stated in the SCN dated January 24, 2024 are true.

11.3. The Noticee No. 1 submitted that he was not aware that the said trades were not permitted and were fraudulent in nature. Further, the Noticee No. 1

prayed that a lenient view may be taken in the matter considering that he was not aware of the law.

12. During the hearing and also vide email dated July 01, 2024, Noticee No. 1, *inter alia*, requested that he be authorized to work with his existing employer or any other broker/ employer and further requested for a grace period of minimum 6 months to pay penalty and/ or disgorgement, if any.

CONSIDERATION OF ISSUES AND FINDINGS

13. I have carefully considered the allegation levelled against the Noticee in the SCN, the written and oral submissions put forth by the Noticees and relevant documents available on record. The issue that arises for consideration in the present proceedings is whether the Noticees engaged in the act of front running the trades of Sapphire in violation of Section 12A (a), (b), (c), (e) of SEBI Act, 1992 read with Regulation 3(a), 3(b), 3(c), 3(d), 4 (1) and 4 (2)(q) read with Regulation 2(1)(c) of the PFUTP Regulations.

14. Before proceeding with the case on merits, I find that it would be appropriate to refer to the definition of 'front running' and understand the said concept.

15. I note that the Hon'ble Supreme Court of India in the matter of ***SEBI vs. Shri Kanaiyalal Baldevbhai Patel and Ors. [Civil Appeal No. 2595 of 2013] dated September 20, 2017***, while considering the term '*front running*' observed as under:

> *"As per the Major Law Lexicon by P Ramanatha Aiyar (4th Edition 2010), 'front running' is defined as under:*
> *Front running -Buying or selling securities ahead of a large order so as to benefit from the subsequent price move.*
> *This denotes persons dealing in the market, knowing that a large transaction will take place in the near future and that parties are likely to move in their favour.*
> *The illegal private trading by a broker or market-maker who has prior knowledge of a forthcoming large movement in prices. (Investment)*

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

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

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

16. SEBI has defined front-running in one of its circular bearing No. CIR/EFD/1/2012 dated May 25, 2012 in the following manner –

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

17. With respect to the forms of front running, the Hon'ble Supreme Court of India in the case ***Shri Kanaiyalal Baldevbhai Patel (Supra)***, further has observed as under:

"...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")..."

18. From the above, it can be said that the following factors are indicators / pointers to classify a particular trading activity in the securities market as "*front running*":

18.1. The information regarding a substantial order (Big Client's order) in a particular security, is not publicly available;

18.2. The order by the alleged Front Runner ("**FR Order**") in securities was placed (directly or indirectly) in advance of the Big Client order, while in possession of the aforesaid 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 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. However, any tranche of the order placed by the alleged Front Runner subsequent to the last tranche of the order of the Big Client will be excluded from being qualified as a front running trade.

19. I further note that the act of placing orders using pre-existing knowledge of non-public information regarding a large transaction that can potentially change the price of a security ("***front running behaviour***") can be executed in the following ways for gaining economic advantage:

19.1. **Buy-Buy-Sell ("BBS")** –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 last tranche 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 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 trades and the price at which he had bought his securities. This pattern of front running is thus labelled as BBS denoting Buy by the alleged Front Runner, Buy by the Big Client, Sell by the alleged Front Runner.

19.2. Sell-Sell-Buy ("SSB") -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 orders before the last tranche 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 thus labelled as SSB denoting Sell by the alleged Front Runner, Sell by the Big Client, Buy by the alleged Front Runner.

20. The aforesaid front running behaviour which is executed in the cash segment of the market can be 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 getting 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 on prices is felt.

21. Considering that the concept of front running has been clearly explained above, I would now deal with the matter on merits. However, before that, I deem it apposite to refer to the relevant provisions of law which are alleged to have been violated by the Noticees in the present case and the relevant extracts thereof are reproduced hereunder:

"***SEBI Act, 1992***
Section 12A: Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.
No person shall directly or indirectly

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;
(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;
(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;
(d)…………
(e) deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder;

SEBI (PFUTP) Regulations, 2015
2. Definitions
………..
(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) are presentation 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 behavior 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;

Nothing contained in this clause shall apply to any general comments made in good faith in regard to—

(a) the economic policy of the government
(b) the economic situation of the country
(c) trends in the securities market or
(d) any other matter of a like nature whether such comments are made in public or in private;
…………

Regulation 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.

Regulation 4: Prohibition of manipulative, fraudulent and unfair trade practices
(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a 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: —
(a) ....
(b)…..
(c)……
………
(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;"

22. I find that the SCN alleged that Noticee No. 2 (Ms. Alka Jain) executed trades during the investigation period, which were not executed in the normal course of trading and were in the nature of front running the trades of Big Client viz. Sapphire. It further alleged that the front running trades were done from trading account of Noticee No. 2 maintained with Angel broking having user ID xxx0005. The bank account associated with the said trading account was maintained with ICICI bank bearing no. xxxxxxxx7938. The pay-in and pay-out for the alleged front running trades were alleged to have been made from the said bank account. Furthermore, the email account registered with the aforesaid trading account was alkajain.id@gmail.com and the mobile number registered with the said trading account was xxxxxx7927.

23. The investigation revealed that Sapphire (Big Client) is an NBFC registered with the RBI as a non-deposit-taking NBFC vide registration number [B-05.05421] and is mainly engaged in the business of investing and trading in securities/commodities. Noticee No. 1 (Mr. Gaurav Singhal) is an employee of Sapphire. In order to ascertain the details with respect to the '*information carrier*' who knew about the non-public information of the impending orders of the Big Client, SEBI had recorded statement, on oath, of one Mr. Sunil Gupta, Vice President, Finance and Account in Radico Khaitan Ltd. and authorized signatory of Sapphire on May 22, 2023 who confirmed that Noticee No. 1 was employed with Sapphire and was the dealer responsible for executing the trades with respective brokers either through the IBT platform or calling up the broker offices. I note that Mr. Sunil Gupta further submitted that once the investment team identified the trade, it was communicated to one Mr. Chetan Jain and/ or Mr. Rohit Mankotia, who advised Noticee No. 1 to place the order with the broker. Noticee No. 1 in his statement recorded before the Investigating Authority, SEBI on July 21, 2023 and in his submissions before me on June 26, 2024 has also admitted to the same. I further note that Mr. Sunil Gupta also submitted that Mr. Gaurav Singhal and others sitting in the trading room of Sapphire have access to their mobiles as well as all the websites from their PCs/ laptops. The same has been admitted by Noticee No. 1 during the course of hearing and reply submitted on June 26, 2024. Thus, I find that as admitted by Noticee No. 1, it is established beyond doubt that Noticee No.1 was privy to non-public information regarding buy/sale orders of securities being placed on behalf of Sapphire and therefore, was the information carrier of the said information.

24. On perusal of SEBI website (www.sebi.gov.in), it is noted that vide Order dated March 26, 2024, Quasi-Judicial Authority of SEBI has *inter alia* found that Mr. Rohit Mankotia was engaged in front running the trades of Sapphire from the account of his mother (Ms. Shila Devi) during July 2021 to June 2022 and therefore to have committed fraud within the meaning of Regulation 2(1)(C) of the PFUTP Regulations, 2003. Accordingly, directions including directions for disgorgement, debarment and penalty have been issued against Mr. Rohit Mankotia and Ms. Shila Devi vide the aforesaid Order.

25. I further find that Noticee No. 2 was the sister-in-law of Noticee No. 1. I note that the mobile number used to open the email id alkajain.id@gmail.com, banking account with ICICI Bank (Account Number- xxxxxxxx7938) and trading account with Angel broking (User-Id- xxx0005), which were all in the name of Noticee No. 2, was issued in the name of one Mr. Surendra Kumar Jain who is the father of Noticee No. 2 and father-in-law of Noticee No. 1. As provided by Noticee No. 1 in his statement dated July 21, 2023, the mobile number used by Noticee No. 1 was xxxxxx1437. Based on analysis of Call Data Records (hereinafter referred as "**CDR**") of the personal mobile number of Noticee No.1 and the mobile number used to operate the email, bank account and trading account registered in the name of Noticee No. 2 i.e. xxxxxx7927, the following is noted:

25.1. The International Mobile Equipment Identity (hereinafter referred to as "**IMEI**") associated with both the mobile numbers is same i.e. both SIMs were used from the same phone having IMEI 355042118967120. An IMEI refers to a code or number that identifies a specific mobile phone used over a mobile network. Every mobile phone has a unique IMEI number consisting of 15 to 17 digits. Usually, it is printed at the back side of the mobile battery.

25.2. Another IMEI (i.e. 355042118967127) associated with mobile Number issued in the name of father of Noticee No. 2 i.e. xxxxxx7927 is same as IMEI of device used by Noticee No. 1 as submitted during the statement recording.

25.3. On analysis of the tower location of the mobile number xxxxxx7927, I note that out of 641 records during the period of analysis, it had maximum stay at following locations-

25.3.1. Location 01 (181 days) - "*Premises no.- KF-18, New Nasirpur Phatak, Kavi Nagar, Ghaziabad*"

25.3.2. Location 02 (15 days) (Rose Enterprises P. Ltd represented through its director Mr. Raman Sethi) - "*B1/A 14, Mohan Co-operative Ind. Area, New Delhi*".

It is noted that Location 01 is near residential address of Gaurav Singhal viz. "*KH-124, New Kavi Nagar, Gazhiabad-201002*" and Location-02 is also located at the address of workplace of Gaurav Singhal (Office of Sapphire) viz "*B-1/J-1 Ext, Mathura Rd., Block B, Mohan Co-operative Industrial Estate, Delhi*"

25.4. On analyzing the call fields of mobile number xxxxxx7927, it was revealed that very few calls were made/ received on the said mobile number and maximum entries were of through SMSs. These SMSs were received from Broker (*Angel broking*) and Bank (*ICICI*) among others.

26. From the above, it is clearly established that the SIM issued in the name of Mr. Surendra Kumar Jain and used by Noticee No. 2 to open her Bank account and trading account was actually being operated by Noticee No. 1. The same has been admitted by the Noticees in their submission during statement recording and also as per the oral submission and reply submitted on June 26, 2024 in the present proceedings.

27. Furthermore, on perusal of data provided by Google LLC, I note that the email-id- alkajain.id@gmail.com was created on September 08, 2020 from the IP number - 180.151.11.198. I note that, as per the data provided by the Internet Service Provider (hereinafter referred to as "**ISP**") namely, Shyam Spectra Pvt Ltd, the aforesaid IP is a static IP and allotted to Radico NV Distilleries Maharashtra Ltd having address as "*B-1/J-1 Ext, Mathura Rd., Block B, Mohan Co-operative Industrial Estate, Delhi*". Upon investigation, it was noted that Sapphire and Radico NV Distilleries Maharashtra Ltd. are group companies of Radico Khaitan Ltd and Sapphire is also having its office at aforesaid address as already mentioned in Paragraph no. 25.3.2 above.

28. I find from the statements on oath given by the Noticees before the Investigating Authority, SEBI, that Noticee No. 2 has denied knowing anyone from Sapphire. Further, both Noticee No. 2 and Noticee No. 1 have denied sharing any of their e-mail id, Bank account or Trading account credentials with anyone in Sapphire. Also, as already established at Paragraph no. 26, the mobile number associated with said e-mail id was being operated by Noticee No. 1. Thus, from the circumstantial evidence, the statements recorded and the relationship of the Noticees, it can be clearly seen that the email ID issued in the name of Noticee No. 2 was created and operated by Noticee No. 1. I also find that the same has been admitted by the Noticees in their submission before the Investigating Authority and also in the submissions before me on June 26, 2024.

29. On perusal of the data provided by ICICI Bank, I find that the device ID and model number from which bank accounts of Noticee No. 1 and Noticee No. 2 were accessed was same viz. Device ID as “xxxxxxxxxxxx7011” and Model No. “SM-A515F”. While inspecting the mobile device of Noticee No. 1 during statement recording before SEBI, it was revealed that the device ID as provided by ICICI Bank was the same as model of device (SM-A515F) used by Noticee No. 1. Further, as per the sample IP address details submitted by ICICI Bank, IP address 183.83.213.59 was used to login bank account on multiple occasions during the period between May 01, 2021 to December 31, 2021. As per the reply of ISP - Atria Convergence Technologies Limited, said IP address was allocated in the name of Radico NV Distilleries during the aforesaid period, which as shown in Paragraph No. 27 above is the office address shared by Sapphire and where Noticee No. 1 was employed.

30. From the above, it is established beyond doubt that the Bank Account in the name of Noticee No. 2 (Ms. Alka Jain) was operated by Noticee No. 1 (Mr. Gaurav Singhal). The same is also admitted by the Noticees in the statements recorded during the investigation and also in the reply submitted on June 26, 2024 in the present proceedings. I further note that the aforesaid bank account was linked to the trading account from which the alleged front running trades were placed and the profit made from these trades was deposited.

31. I note that Noticee No. 2 had opened the trading account with Angel broking on November 03, 2020 using Mobile number- xxxxxx7927, E-mail id- alkajain.id@gmail.com and bank account number -xxxxxxxx7938. As already established in the preceding paragraphs, Noticee No. 1 operated the above email ID, mobile number and bank account. On perusal of the sample IP address details submitted by Angel Broking, I note that IP addresses 183.83.213.59 and 180.151.11.198 were used for trading from Noticee No. 2’s trading account on multiple occasions during the period between May 01, 2021 to December 31, 2021. As already mentioned above, IP address 183.83.213.59 was dynamically allocated to Radico NV Distilleries multiple times during the aforesaid period and IP address-

180.151.11.198 was statically allocated (*permanently*) to Radico NV Distilleries, official address of Sapphire where Noticee No. 1 was employed.

32. I further note that as already mentioned at Paragraph no. 28 above, Noticee No. 2 has denied knowing anyone from Sapphire. The Noticees during their statement on oath before SEBI has also denied sharing any of their e-mail id, Bank account or Trading account credentials with anyone in Sapphire Intrex Ltd. Thus, I find that the person accessing the trading account of Noticee No. 2 to place trades from the premises of Sapphire was Noticee No. 1. The same is also admitted by the Noticees in their submission during the personal hearing before me and reply submitted on June 26, 2024 in the present proceedings.

33. With respect to the front running trades executed in the trading account of Noticee No. 2 operated by Noticee No. 1, the following is noted:

33.1 I note that National Stock Exchange (hereinafter referred to as "**NSE**") vide email dated August 04, 2023 submitted a consolidated sheet of FR instances including the profits gained for the entire investigation period. There were FR instances in both equity and equity derivative segment.

33.2 I find that FR, Noticee No. 2 had 81 front running instances in equity segment against Sapphire and the total profit (*without including any losses*) earned through front running is ascertained to be Rs. 35.34 lakhs. Few such samples of FR trades in equity segment of NSE are as under:

Instance 1:

33.2.1 On January 20, 2021, Sapphire had bought 4,00,000 shares of JKTYRE. It had started placing buy orders from 10:47:06 hrs and placed order till 11:10:58 hrs. Noticee No. 1, trading from the account of Noticee No. 2, started placing buy orders from 10:46:13 hrs and continued placing orders till 10:46:44 hrs for 39,000 shares of JKTYRE i.e. FR started placing order just one minute before placing of buy order by Big Client

(Sapphire). Further, it is noted that FR started placing sell orders after 11:06:30 hrs and continued placing sell orders till 11:22:15 hrs and sold all the 39,000 shares of JKTYRE within 12 minutes of the Big Client completing its buy order. The said pattern of trading adopted by the FR clearly establishes the BBS pattern of front running as explained in paragraph no. 19.1 above. The said pattern denotes 'Buy' by the front runner, 'Buy' by the Big Client, followed by 'Sell' by the front runner.

Instance 2:

33.2.2 On February 18, 2021, Big Client (Sapphire) bought 30,000 shares of APTECHT. It started placing buy orders from 12:31:32 hrs with last buy order time at 15:12:38 hrs. Noticee No. 1 trading from the account of Noticee No. 2, placed order for 5,000 shares of APTECHT at 12:30:29 i.e. FR placed order 2 minute before placing of buy order by Big Client. Noticee No. 1 placed sell order for all 5,000 shares at 12:31:24 hrs i.e. within 1 minute of buying it and all these 5,000 shares matched with buy orders of Big Client. This again clearly establishes BBS pattern of front running by FR.

Instance 3:

33.2.3 On December 17, 2021, Big Client (Sapphire) sold 20,000 shares of GPIL. It started placing sell orders from 12:49:26 hrs to 12:52:51 hrs. The FR started placing sell orders for 7,500 shares of GPIL from 12:42:34 hrs till 12:48:52 hrs i.e. few minutes before placing of sell order by Big Client. The FR then placed buy orders for 7,500 shares of GPIL at 12:51:17 hrs, which got executed at 12:52:00 hrs. All, the FR buy orders matched with the Big Client sell order. This clearly establishes SSB pattern of front running by FR. SSB pattern of front running denotes 'Sell' by the front runner, 'Sell' by the Big Client, followed by 'Buy' by the front runner.

33.3 A summary of the aforesaid front run trades of the Noticees alongwith the profit earned by indulging in such trading at equity segment of NSE is as under:

S No	Date of FR trade	Scrip Code	Buy Quantity of FR	Buy Vaue (Rs) (a)	Sell Quantity of FR	Sell Value (Rs) (b)	Pattern (BBS/SSB)	Buy/Sell quantity of Big client	Profit made by FR (Rs) (b)-(a)
1)	20/01/2021	JKTYRE	39000	3692503	39000	4002843	BBS	400000	310339
2)	22/01/2021	JKTYRE	77000	10096997	77000	10105071	BBS	240001	8075
3)	25/01/2021	APTECHT	60602	12049271	60602	12236075	SSB	300000	186803
4)	25/01/2021	GRANULES	41000	13961600	41000	14018842	BBS	72500	57242
5)	27/01/2021	RELIANCE	250	476593	250	476750	SSB	500	158
6)	02/02/2021	APTECHT	10000	2079654	10000	2092352	SSB	25000	12698
7)	02/02/2021	TATAMOTORS	500	151550	500	155000	SSB	153900	3450
8)	03/02/2021	APTECHT	40901	8927893	40901	8947182	BBS	75000	19289
9)	18/02/2021	APTECHT	5000	1202140	5000	1207500	BBS	30000	5360
10)	18/02/2021	JKTYRE	60000	7478000	60000	7542452	BBS	400000	64452
11)	18/02/2021	JSWENERGY	40000	2892000	40000	2915637	BBS	500000	23637
12)	18/02/2021	STAR	6000	5403330	6000	5511604	BBS	11000	108274
13)	19/02/2021	JKTYRE	25000	3051250	25000	3090852	BBS	150000	39602
14)	01/03/2021	JKTYRE	50000	6299500	50000	6328863	SSB	100000	29363
15)	02/03/2021	MAGMA	15000	1870253	15000	1904741	BBS	80000	34488
16)	04/03/2021	CAMLINFINE	16000	2383025	16000	2390057	SSB	50000	7032
17)	04/03/2021	IRCON	76424	7037398	76424	7040718	SSB	763247	3320
18)	04/03/2021	SCI	51500	6358931	51500	6431215	BBS	350000	72284
19)	25/03/2021	GPIL	2300	1659663	2300	1665082	SSB	7000	5419
20)	17/05/2021	STAR	3000	2404950	3000	2409714	BBS	14700	4764
21)	18/05/2021	STAR	15014	12139889	15014	12143216	BBS	90300	3327
22)	19/05/2021	MAGMA	27000	3753537	27000	3779450	SSB	105000	25912
23)	21/05/2021	SHILPAMED	7500	4080304	7500	4098750	SSB	25000	18446
24)	02/06/2021	SHILPAMED	12502	6498704	12502	6527421	SSB	25000	28717
25)	03/06/2021	SHILPAMED	24000	13261210	24000	13272614	SSB	35000	11404
26)	04/06/2021	SHILPAMED	5000	2821508	5000	2824500	BBS	40000	2993
27)	10/06/2021	GPIL	16500	18062846	16500	18131222	SSB	15000	68376
28)	24/06/2021	SHILPAMED	3000	1667905	3000	1672350	SSB	12500	4445
29)	25/06/2021	SHILPAMED	5000	2863973	5000	2872250	SSB	10000	8277
30)	06/07/2021	IBREALEST	25000	3050007	25000	3077000	SSB	140000	26993
31)	19/07/2021	IBREALEST	65000	10109179	65000	10137218	BBS	200000	28040
32)	19/07/2021	SUNTV	8000	4340859	8000	4363200	SSB	20000	22341
33)	20/07/2021	APLAPOLLO	2320	3682635	2320	3739911	BBS	4000	57276
34)	20/07/2021	INTENTECH	6116	538183	6116	551969	BBS	73571	13786
35)	22/07/2021	APLAPOLLO	750	1214589	750	1221300	SSB	5000	6711
36)	22/07/2021	IRCON	300000	13501963	300000	13625444	BBS	300000	123481
37)	23/07/2021	APTECHT	40000	10315430	40000	10327273	SSB	40000	11843
38)	23/07/2021	IRCON	220000	9832974	220000	9909664	SSB	267000	76689
39)	23/07/2021	ZOMATO	300	37205	300	37632	SSB	144117	428
40)	27/07/2021	IRCON	75000	3329569	75000	3346521	BBS	390000	16952
41)	29/07/2021	IRCON	90000	3904500	90000	3934198	BBS	300000	29698

42)	29/07/2021	MOTHERSUMI	1000	237800	1000	237825	BBS	3500	25
43)	29/07/2021	SUNTV	20000	10904229	20000	10921500	BBS	40000	17271
44)	02/08/2021	IRCON	255000	11397750	255000	11456118	BBS	393000	58368
45)	04/08/2021	CAMLINFINE	10000	1872500	10000	1881829	BBS	10000	9329
46)	12/08/2021	HERANBA	1000	834084	1000	836400	SSB	10000	2316
47)	13/08/2021	CAMLINFINE	175467	31684550	175467	31956512	BBS	81500	271962
48)	13/08/2021	HCG	5000	1249676	5000	1254250	SSB	15000	4574
49)	17/08/2021	ALLCARGO	22027	4968936	22027	5000677	SSB	75000	31741
50)	17/08/2021	IBULHSGFIN	5000	1276500	5000	1277867	BBS	52050	1367
51)	20/08/2021	SHILPAMED	2000	1044669	2000	1050168	SSB	100000	5499
52)	03/09/2021	ALLCARGO	26000	5984550	26000	6033628	BBS	75000	49078
53)	13/09/2021	POONAWALLA	4000	747187	4000	748039	BBS	20000	852
54)	15/09/2021	ASHIANA	7500	1395375	7500	1402560	SSB	18500	7185
55)	16/09/2021	SUNTV	4000	1993000	4000	2025498	SSB	35000	32498
56)	17/09/2021	SUNTV	10500	5265815	10500	5272661	SSB	60000	6846
57)	01/10/2021	APTECHT	10000	3092721	10000	3114000	SSB	10000	21279
58)	01/10/2021	KAJARIACER	1800	2142000	1800	2144520	BBS	10500	2520
59)	05/10/2021	SHILPAMED	18000	10324678	18000	10396200	SSB	20000	71522
60)	11/10/2021	SHILPAMED	6100	3738824	6100	3754940	SSB	25000	16116
61)	12/10/2021	SHILPAMED	4000	2478547	4000	2483600	SSB	15000	5053
62)	14/10/2021	GHCL	2000	925944	2000	927800	SSB	10000	1856
63)	14/10/2021	GPIL	15540	21115309	15540	21369531	BBS	25000	254222
64)	14/10/2021	INFIBEAM	48000	2489178	48000	2508000	SSB	675000	18822
65)	22/10/2021	GPIL	12700	17509713	12700	17722110	BBS	12000	212397
66)	25/10/2021	GPIL	14903	19569766	14903	19788008	BBS	33000	218242
67)	12/11/2021	ESCORTS	6000	9341926	6000	9417600	SSB	95000	75674
68)	25/11/2021	GLENMARK	10000	5325065	10000	5334000	BBS	25000	8935
69)	25/11/2021	IBULHSGFIN	70000	15285069	70000	15346324	SSB	200000	61255
70)	26/11/2021	IBULHSGFIN	2000	509150	2000	514000	SSB	49600	4850
71)	08/12/2021	IBULHSGFIN	30000	7440000	30000	7467456	SSB	50000	27456
72)	09/12/2021	GPIL	5000	1300500	5000	1313104	BBS	10000	12604
73)	10/12/2021	ASTERDM	500	95748	500	95800	BBS	5000	52
74)	10/12/2021	UNIONBANK	90000	4329000	90000	4407862	BBS	1500000	78862
75)	16/12/2021	DHANI	70000	11617934	70000	11747750	BBS	160000	129816
76)	17/12/2021	CANBK	30000	6168000	30000	6182074	BBS	150000	14074
77)	17/12/2021	DHANI	120000	18695219	120000	18818065	BBS	150000	122846
78)	17/12/2021	GPIL	7500	1854000	7500	1862757	SSB	20000	8757
79)	29/12/2021	GPIL	5000	1241000	5000	1252502	BBS	29976	11502
80)	29/12/2021	IBREALEST	74000	11907563	74000	11943600	SSB	350000	36037
81)	29/12/2021	IBULHSGFIN	70000	15251250	70000	15289432	SSB	399500	38182
	Total								**35,34,023**

33.4 I further find that Noticee No. 2 had 59 front running instances in equity derivative segment against Sapphire and the total profit (without including any losses) earned through such front running is ascertained to be Rs. 14.72 lakhs. Few sample FR instances in equity derivatives segment of NSE are as under:

Instance 1:

33.4.1 On January 07, 2021, Sapphire bought 10,400 MFSL FF contracts. It placed buy order at 12:39:28 hrs. Noticee No. 1, trading from the account of Noticee No. 2, placed buy order for 2,600 MFSL FF contracts at 12:39:17 hrs i.e. a fraction of second before the Big Client. Later, the FR squared off its position and sold all the MFSL FF contracts within 1 minute i.e. by 12:40:12 hrs. The said pattern of front running the trades if Big Client clearly establishes BBS pattern of front running by FR.

Instance 2:

33.4.2 On April 12, 2021, Big Client sold 40,600 SUNPHARMA FF contracts. It placed sell order at 11:36:06 hrs. the FR placed sell order for 7000 SUNPHARMA FF contracts at 11:35:06 hrs i.e. just 1 minute before placing of the order by the Big Client. Later, the FR reversed its position and bought all 7000 SUNPHARMA FF contracts at 11:36:48 hrs i.e. just after the Big Client placed its sell order. Thus, the FR took position same as the Big Client just before placing of the order by Big Client and then quickly reversed its position, which clearly establishes SSB pattern of front running by the FR.

33.5 A summary of the aforesaid front run trades of Noticees alongwith the profit earned by the FRs at equity derivative segment of NSE is as under:

SNo	Date of FR trade	Scrip Code	Buy Quantity of FR	Buy Vaue (Rs) (a)	Sell Quantity of FR	Sell Value (Rs) (b)	Pattern (BBS/SSB)	Buy/Sell quantity of Big client	Profit made by FR (Rs) (b)-(a)
1)	07/01/2021	MFSL	2600	1829360	2600	1831375	BBS	10400	2015
2)	08/01/2021	SUNTV	18000	9503700	18000	9536400	BBS	109500	32700
3)	11/01/2021	TATAMOTORS	34200	6932340	34200	6946020	BBS	5700	13680
4)	13/01/2021	CANBK	48600	6944670	48600	6969240	BBS	118800	24570
5)	15/01/2021	SUNTV	33000	17050725	33000	17142900	SSB	49500	92175

6)	20/01/2021	FEDER ALBNK	70000	5308500	70000	5323500	BBS	5934	15000
7)	22/01/2021	ASIANP AINT	1500	4079250	1500	4083000	SSB	300	3750
8)	03/02/2021	DLF	26400	7738995	26400	7746255	SSB	500	7260
9)	03/02/2021	PFC	31000	3903520	31000	3919950	BBS	347200	16430
10)	04/02/2021	APOLLO TYRE	90000	21813750	90000	21846000	BBS	36924	32250
11)	04/02/2021	TATAM OTORS	28500	9406425	28500	9418965	SSB	17100	12540
12)	16/02/2021	PFC	117800	15844720	117800	15858670	BBS	36413	13950
13)	17/02/2021	APOLLO TYRE	90000	21865000	90000	21876250	SSB	140000	11250
14)	18/02/2021	VEDL	93000	18210020	93000	18229860	BBS	998200	19840
15)	25/02/2021	ADANIP ORTS	27500	19329250	27500	19361250	BBS	21114	32000
16)	25/02/2021	FEDER ALBNK	100000	8584000	100000	8630000	SSB	1742	46000
17)	25/02/2021	VEDL	167400	34677220	167400	34731470	SSB	2901	54250
18)	26/02/2021	ADANIP ORTS	20000	13920625	20000	13946500	SSB	5000	25875
19)	01/03/2021	ADANIP ORTS	10000	6870750	10000	6884250	BBS	7500	13500
20)	02/03/2021	CANBK	54000	8566020	54000	8592750	SSB	297000	26730
21)	03/03/2021	ADANIP ORTS	2500	1887500	2500	1889750	BBS	32500	2250
22)	04/03/2021	BPCL	23400	10986660	23400	11021130	SSB	50	34470
23)	04/03/2021	TATAM OTORS	5700	1955385	5700	1957095	SSB	5700	1710
24)	17/03/2021	PFC	74400	10127700	74400	10166450	SSB	737800	38750
25)	25/03/2021	ADANIP ORTS	5000	3482750	5000	3492750	SSB	200000	10000
26)	06/04/2021	BANKB ARODA	46800	3404700	46800	3411720	SSB	152100	7020
27)	06/04/2021	BHARTI ARTL	1851	980660	1851	997689	BBS	9255	17029
28)	09/04/2021	SUNTV	6000	2980725	6000	2986800	BBS	40500	6075
29)	12/04/2021	SUNPH ARMA	7000	4448850	7000	4459000	SSB	40600	10150
30)	27/04/2021	TATAST EEL	10200	9854730	10200	9858300	SSB	3400	3570
31)	28/04/2021	ICICIBA NK	4125	100031	4125	103950	SSB	30250	3919
32)	28/04/2021	SUNTV	7500	3713250	7500	3720000	SSB	40500	6750
33)	29/04/2021	RELIAN CE	2750	5579750	2750	5581400	BBS	25000	1650
34)	03/05/2021	BANKB ARODA	46800	3114540	46800	3127995	SSB	304200	13455
35)	03/05/2021	TATAST EEL	4250	4539680	4250	4545375	BBS	2220	5695
36)	10/05/2021	BPCL	14400	6501330	14400	6521760	BBS	252000	20430
37)	20/05/2021	SUNTV	18000	9636150	18000	9657900	BBS	31500	21750
38)	20/05/2021	VEDL	55800	15743040	55800	15768770	SSB	3100	25730
39)	24/05/2021	SUNTV	7500	3945375	7500	3954750	SSB	79500	9375
40)	27/05/2021	VEDL	31000	539400	31000	564510	SSB	191	25110
41)	31/05/2021	BPCL	9000	4245750	9000	4253220	BBS	1800	7470
42)	31/05/2021	SAIL	38000	4778500	38000	4784200	BBS	914	5700
43)	14/06/2021	SAIL	19000	2560725	19000	2577350	BBS	95000	16625
44)	15/06/2021	TATAM OTORS	11400	4020495	11400	4020780	BBS	5700	285
45)	18/06/2021	BPCL	5400	2522880	5400	2523150	BBS	3600	270

46)	28/06/2021	RELIANCE	3000	6324750	3000	6334213	SSB	1750	9463
47)	12/07/2021	SUNTV	15000	7977150	15000	8004750	BBS	129	27600
48)	26/07/2021	MCDOWELL-N	45000	29809500	45000	29921250	SSB	95000	111750
49)	29/07/2021	VEDL	74400	21211595	74400	21254995	BBS	468100	43400
50)	04/08/2021	SAIL	76000	10632875	76000	10644275	SSB	351500	11400
51)	04/08/2021	TATASTEEL	10200	14510520	10200	14529815	BBS	850	19295
52)	04/08/2021	VEDL	145700	45509860	145700	45596660	SSB	492900	86800
53)	16/09/2021	JINDALSTEL	10000	4009750	10000	4017500	SSB	90000	7750
54)	09/12/2021	GRANULES	62000	20127138	62000	20217270	BBS	50000	90133
55)	14/12/2021	GRANULES	10850	3754333	10850	3774715	BBS	25000	20383
56)	15/12/2021	ZEEL	6000	2238000	6000	2239650	BBS	261000	1650
57)	23/12/2021	GRANULES	31000	9990215	31000	10025400	BBS	199950	35185
58)	31/12/2021	CANBK	54000	10802700	54000	10832400	BBS	356400	29700
59)	31/12/2021	RBLBANK	223300	28407095	223300	28594580	SSB	1255700	187485
	Profit								**14,72,995**

33.6 I find from the investigation report and the SCN that apart from the instances of front running at NSE, there was one instance of Front running on BSE on the equity segment as well. It is noted that on July 22, 2021, Sapphire had bought 5000 shares of APOLLO TYRES. It started placing buy orders from 10:00:33 hrs and continued placing orders till 10:39:59 hrs. Noticee No. 1, trading from the account of Noticee No. 2, started placing buy orders for 2050 shares of APOLLO TYRES between 09:35:42 hrs to 10:37:47 hrs i.e. all buy orders by FR were placed before completion of buy order of the Big Client. Thereafter, the FR reversed its position and sold all 2050 shares of APOLLO TYRES between 09:41:19 hrs to 10:38:15 hrs i.e. within minutes of buying the shares. This, clearly establishes BBS pattern of front running by the FR. The details of profit earned by the FR by executing the aforesaid trade on BSE platform is as under:

SNo	Date of FR trade	Scrip Code	Buy Quantity of FR	Buy Vaue (Rs) (a)	Sell Quantity of FR	Sell Value (Rs) (b)	Pattern (BBS/SSB)	Buy/Sell quantity of Big client	Profit made by FR (Rs) (b)-(a)
1)	22/07/2021	APOLLO	2050	31,25,875	2050	31,69,973	BBS	5,000	**44,098**

34. Based on the aforesaid tables, I find that Noticee No. 2, based on the non-public information available with Noticee No. 1 with respect to the impending orders of the Big Client (Saphhire) has made a total profit of Rs. 50,51,116/- by indulging in an unfair trade practice of front running the trades of Sapphire in 141 instances during the period under analysis.

35. As per the finding in Paragraph no. 32 above, it is established that Noticee No. 1 placed the Orders from Noticee No. 2's trading account. I note that even though Noticee No.1 placed orders in the trading account of Noticee No. 2 and Noticee No. 2 may not have been aware of any non-public information regarding impending transactions by Sapphire, the fact that Noticee No. 2 has allowed Noticee No. 1 to open the trading account and the Bank account and use the said trading account to execute trades which were fraudulent and manipulative in nature cannot be ignored. The same has been admitted by the Noticees in their submission during statement recording before Investigating Authority, SEBI and also during the hearing before me and the reply submitted on June 26, 2024 in the present proceedings. Therefore, I find that Noticee No. 2 is equally liable for the acts of Noticee No. 1.

36. I note that during the submissions before me, the Noticee No. 1, on his own behalf and Noticee No. 2, has stated that he was not aware that the trades executed by him in the trading account of Noticee No. 2 were fraudulent and were in violation of the securities laws. If the same is taken to be true, it is a well settled principle of law and a legal maxim *"Ignorantia Juris Non Excusat"* which means ignorance of law cannot be an excuse to avoid liability of an illegal act. The rationale of the said doctrine is that if ignorance were an excuse, a person charged with any criminal or civil offence would merely claim that one was unaware of the law in question to avoid liability. Also, willful blindness cannot become the basis of exculpation. Additionally, in the light of the fact that Noticee No. 1 was a dealer since 2008 and has been employed with Sapphire since 2014, the claim that he was not aware that trading based on the impending orders of entities, information of which was only available with persons like him i.e. non-public information was illegal cannot be accepted and therefore, I am of the considered view that taking of plea of unawareness of the act being fraudulent is not tenable and thus, not acceptable.

37. In view of the aforesaid findings, I find that the Noticees have, by indulging in the acts of front running the orders of the Big Client (Sapphire), have violated the provisions of Section 12A (a), (b), (c), (e) of SEBI Act, 1992 read with Regulation 3(a), 3(b), 3(c), 3(d), 4 (1) and 4 (2)(q) read with Regulation 2(1)(c) of the PFUTP Regulations, 2003. I also find that as a result of the aforesaid unlawful and fraudulent trading by the Noticees, they have made unlawful enrichment of Rs. 50,51,116/- (refer tables at Paragraph nos. 33.3, 33.5 and 33.6 above) which should be disgorged.

38. I further find that, vide SEBI order dated March 26, 2024, Mr. Rohit Mankotia, who advised Noticee No. 1 with respect to the orders of Sapphire, was also found to have indulged in similar fraudulent and unfair trading practice by adopting the same *modus operandi* of front running the trades of Sapphire and direction to disgorge the ill-gotten gains along with imposition of monetary penalty and debarment from accessing and prohibition of dealing in the securities market for a period of three years from the date of the said order has been issued by the Quasi-Judicial Authority, SEBI.

39. I note that vide email dated July 01, 2024, Noticee no. 1 has made submissions and prayed for taking a lenient view and impose reasonable penalty for the violations of securities laws due to lack of funds and family commitments/ responsibilities. I find that it is established in the preceding paragraphs that the Noticees have violated the provisions of the PFUTP Regulations, 2003 by indulging in fraudulent trade practices while dealing in securities market. Further, it has even been established that the Noticees have made an unlawful gain of Rs. 50,51,116/- by indulging in such practices. Therefore, in the light of the facts and the findings, I find that appropriate direction including disgorgement and imposing monetary penalty is warranted in respect of the Noticees.

40. The SCN contemplates directions under Section 11(4A) and 11B(2) of the SEBI Act, 1992 read with Rule 4 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposition of Penalty) Rules, 1995 for imposing monetary penalty under Sections 15HA of SEBI Act, 1992 on the Noticees, for the aforesaid violations, which reads as under:

"***Penalty for fraudulent and unfair trade practices.***
15HA. *If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*"

41. I note that Section 15HA of the SEBI Act, 1992 provides for imposition of penalty in case of fraudulent and unfair trade practices committed by any person. I find that it has already been established beyond doubt that the Noticees have violated the provisions of Section 12A (a), (b), (c), (e) of SEBI Act, 1992 read with Regulation 3(a), 3(b), 3(c), 3(d), 4 (1) and 4 (2)(q) read with Regulation 2(1)(c) of the PFUTP Regulations, 2003 by indulging in trades in the nature of front running the impending orders of the Big Client (Sapphire) on the equity and derivative segment of NSE and equity segment of BSE. I find that the activities of the Noticees, being fraudulent in nature, attract and warrant penalty to be imposed on them under Section 15HA of the SEBI Act, 1992.

42. It is relevant to mention here that for determining the amount of penalty to be imposed under the provisions of the SEBI Act, 1992, guidance is provided under Section 15J of the SEBI Act, 1992, which is reproduced as:

*"**15J. Factors to be taken into account while adjudging quantum of penalty.***
While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely: —
(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
(b) the amount of loss caused to an investor or group of investors as a result of the default
(c) the repetitive nature of the default."

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

43. I find that the Noticees have executed trades which were in the nature of front running on the basis of the non-public information of impending trading of the Big Client. The said acts of the Noticees amounted to 'fraud' as defined under the PFUTP Regulations, 2003 and is an unfair trade practice in terms of Regulation 4(2)(q) of the PFUTP Regulations, 2003. Further, by indulging in such practices, the Noticees have made unlawful gains / enrichment of Rs. 50,51,116/-. I find that the SCN does not allege any specific loss caused to investors or group of investors as a result of the default by the Noticees. However, SEBI is extensively engaged in taking series of steps to maintain market integrity and to win investors' faith in the securities market. Therefore, in order to deter such practices, I find it appropriate to issue directions including disgorgement of unlawful gains and imposition of monetary penalty on the Noticees in order to meet the ends of justice.

ORDER AND DIRECTIONS

44. In view of the foregoing, I, in exercise of the powers conferred upon me in terms Sections 11(1), 11(4), 11(4A), 11B (1) and 11B (2) read with Section 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:

44.1. Noticee no. 1 is restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of 2 (two) years, from the date of this order;

44.2. Noticee no. 2 is restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of 1 (one) year, from the date of this order;

44.3. The Noticees are directed to disgorge the amount of Rs. 50,51,116/- (Rupees fifty lakh fifty one thousand one hundred sixteen only), jointly and severally along with interest at the rate of 12% per annum, calculated from the last date of front-run trades (i.e. December 31, 2021). The said amount shall be remitted by the Noticees to Investor Protection and Education Fund (IPEF) referred to in Section 11(5) of the SEBI Act, 1992, within 45 (forty-five) days from the date of this Order. An intimation regarding the payment of said disgorgement amount directed to be paid herein, shall be sent to "The Division Chief, IVD-ID9, Securities and Exchange Board of India, SEBI Bhavan II, Plot no. C-7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai -400 051".

44.4. In addition, the Noticees are hereby imposed with, the following monetary penalties:

Noticee No.	**Name of the Noticee**	**Provisions under which penalty is imposed**	**Amount of penalty (Rs.)**
1.	Gaurav Singhal	Section 15HA of the SEBI Act, 1992	Rs. 10,00,000/- (Rupees Ten Lakh)
2.	Alka Jain	Section 15HA of the SEBI Act, 1992	Rs. 5,00,000/- (Rupees five Lakh)

44.5. The Noticees shall remit / pay the said amounts of penalty within a period of 45 days from receipt of the 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 difficulties in online payment of penalties, the Noticees may contact the support at portalhelp@sebi.gov.in.

45. It is hereby clarified that if the Noticees have any open position in any exchange traded derivative contracts, as on the date of this order, they can close out/ square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier. The Noticees are permitted to settle the pay in and pay out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order.

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

47. A copy of this order shall be sent to the Noticees, recognized Stock Exchanges, the relevant banks, Depositories and Registrar and Transfer Agents of mutual funds to ensure that the directions given above are strictly complied with.

Date: July 30, 2024	**Dr. ANITHA ANOOP**
Place: Mumbai	**CHIEF GENERAL MANAGER**
	SECURITIES AND EXCHANGE BOARD OF INDIA