

National Stock Exchange of India

Circular

Department: Investigation	
Download Ref No: NSE/INVG/66346	Date: January 28, 2025
Circular Ref. No: 437/2025	

To All NSE Members,

Sub: SEBI Order in the matter of Front Running by Mr. Mandar Ulhas Bhatkar.

This has reference to SEBI Order no. QJA/GR/IVD/ID6/31132/2024-25 dated January 28, 2025 wherein, SEBI has restrained following entities 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 Six (6) months, from the date of this order.

Sr. No.	Name	PAN
1.	Mandar Ulhas Bhatkar	AYYPB8605Q
2.	Vikrant Bhimrao Kadam	BXXPK4344L

Further, SEBI has directed that the obligation of the Noticee, 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 in the F&O segment of the recognised stock exchange(s) is/are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.

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>

National Stock Exchange of India

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

In case of any further queries, members are requested to 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: SEBI Order in the matter of Front Running by Mr. Mandar Ulhas Bhatkar.

**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:

Noticee. No.	Noticee Name	PAN No.
1.	Mandar Ulhas Bhatkar	AYYPB8605Q
2.	Vikrant Bhimrao Kadam	BXXPK4344L

In the matter of Front Running by Mandar Ulhas Bhatkar

(The aforesaid entities are referred to by their corresponding names/numbers and collectively referred to as "Noticee")

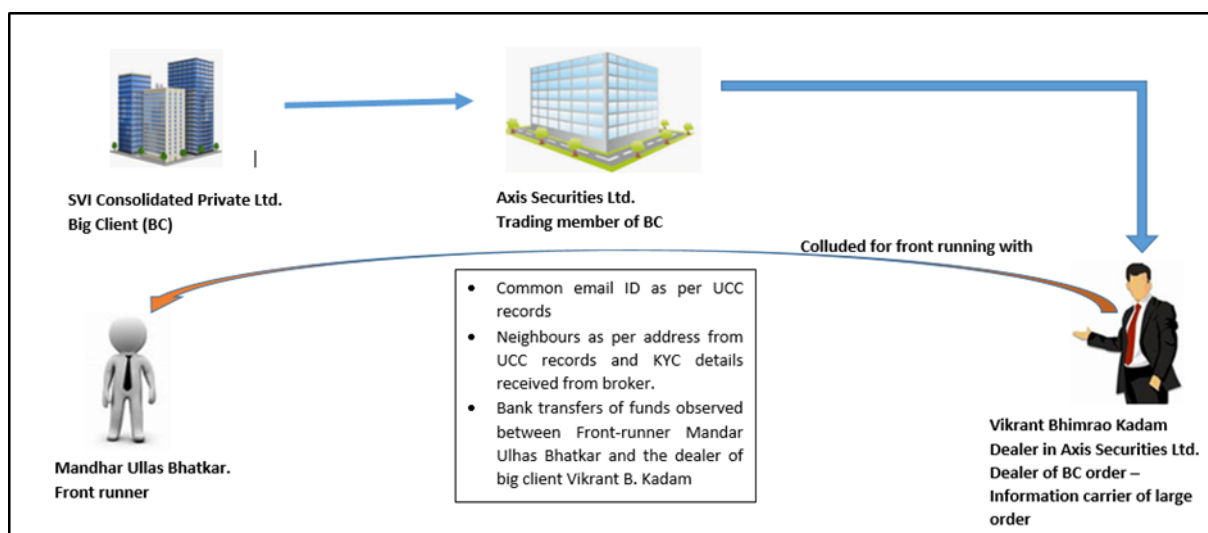
BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted an investigation into the trading activities of **Mr. Mandar Ulhas Bhatkar (Noticee No.1)** and certain other entities related to/associated with him, during the period November 01, 2020 to September 30, 2021 (hereinafter referred to as the "**Investigation Period / 'IP'**"). The investigation was carried out in order to ascertain as to whether there was any possible violation 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**") and/or any other Rules/Regulations made by SEBI thereunder.
2. The investigation revealed the possibility of suspected front running of trades of **SVI Consolidated Pvt. Ltd. ('Big Client')** in cash market and equity derivatives segments of NSE by its dealer namely Vikrant Bhimrao Kadam (Noticee No.2) in the trading account of

Noticee No.1, based on the impending order of the said Big Client during the period of investigation.

3. Accordingly, the investigation observed and alleged the following: -

- a) Noticee No.1 and 2 were friends, also connected to each other, by way of common e-mail id, friends on the social networking site "Facebook" and they resided in the same building at Naigaon in Dadar (East), Mumbai in 2016.
- b) The Big Client was a High Net worth Individual (**HNI**) and a client of the broker Axis Securities Ltd., where Noticee No.2 worked as a dealer, placing orders on behalf of the Big Client. Being the dealer, the Noticee No.2 who had the knowledge of the impending orders allegedly passed it to Noticee No.1. In other words, whenever the Noticee No.2 got instructions from Big Client for placing order, he used to inform Mandar (Noticee No.1) by calling him to place his orders in the market in the same scrips/contracts. Following this Modus operandi profits were made by Noticee No.1, which were accrued in his account.
- c) Noticee No.1 was consistently placing orders ahead of the orders of the Big Client in both, the cash market segment as well as in the equity derivatives segments and majorly squared off the positions against the orders of the Big Client.
- d) The connection of Noticee No.1 and 2 along with the process of front running activities that followed are illustrated below:



e) During the IP, the suspected front running trades were observed to have been executed through the trading account of Noticee No.1 in both the cash market segment as well as in the equity derivatives segment, the details of which are as under:

- i. In the cash market segment, during the IP it was observed that Noticee No. 1 traded intraday in 24 common instances, out of which, in 20 instances Noticee No.1 earned Positive Square Off of Rs.17.97 Lakhs and in the aforesaid 20 instances of front running, in about 13 instances, the matching percentage of Noticee No.1 with Big Client ranged between 33% - 100%.
- ii. Similarly, in the equity derivatives segment, it was observed during the IP that Noticee No.1 traded intraday in all the 58 common instances, out of which, in 49 instances Noticee No.1 earned Positive Square Off of Rs.16.30 Lakhs and in the aforesaid 49 instances of front running, in about 28 instances, the matching percentage of Noticee No.1 with Big Client ranged between 23% - 100%.
- iii. It was observed during IP that the Noticee was placing orders in both the Cash market segment and Equity Derivative segment either in the Sell – Sell – Buy method or the Buy-Buy-Sell method.
- iv. 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:

a) **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.

b) **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 Frontrunner, Sell by the Big Client, Buy by the alleged Front Runner.

- c) 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.
- v. Further, it was observed that since the orders of Noticee No.1 were executed online, no dealer was required for execution of the same and therefore, the IP address and related details of the orders placed by Noticee No.1 were obtained from his broker Zerodha. Thereafter, the said details were provided to the telephone service provider, Reliance Jio, who in turn provided the Internet Protocol Detail Records (IPDR) extracted from system. Upon analysis of the same, it was observed that mobile phone no.900XXXX299 of Noticee No.2 appeared at several instances, revealing that Noticee No.2 was placing orders through the trading account of Noticee No.1 for front running the orders/trades of the Big Client during the investigation period.
- vi. Next, multiple funds transactions between Noticee No.1 and Noticee No.2, were observed from the HDFC bank account (A/c no. 5010023466XXXX) of Noticee No.1. In this connection, during the investigation, the statements of the Noticees were recorded and made further corresponded with them. From this, it was observed that Noticee No.1 transferred the funds received from Noticee No.2 to his trading account with broker Zerodha to enable Noticee No.2 to trade in the

scrips/contracts in which the Big Client traded and he had given his consent to Noticee No.2 to trade in the securities market through Noticee No.1's trading account in Zerodha, details of which have been provided in the SCN. Therefore, Noticee No.1 and Noticee No.2 together in collusion took advantage of the orders/trades of Big Client by front running the orders/trades of Big Client and earned huge profits.

vii. The Noticee No.1 & 2 earned the total profit / unlawful gains through the aforesaid front running trades was Rs.34,26,342.95

f) In view of the above, the Noticee No.1 & 2 were alleged to have violated the provisions Sections 12A (a), (b), (c) and (e) of SEBI Act read with Regulations 3 (a), 3 (b), 3 (c), 3(d), 4(1) and 4(2)(q) of the PFUTP Regulations.

SERVICE OF SCN, REPLIES AND HEARING

4. Accordingly, a common SCN dated June 04, 2024 along with annexures was served on the Noticees through speed post and acknowledgement due and digitally signed e-mails, which were duly delivered. Vide the SCN, the Noticees were called upon to show cause as why directions be not issued against them under Sections 11(B)(1) and 11 (4) r/w 11(1) of SEBI Act, 1992 and/or penalty not be imposed as deemed fit under Sections 11B (2) and 11(4A) read with Section 15HA of the SEBI Act including disgorgement of unlawful gains of Rs.34,26,342.95.

5. In response, the Noticees submitted their replies dated June 24, 2024, which have been summarised as under:

Noticee No.1:

- He submitted that he was poor, unable to pursue his graduation and is not aware of the stock market.
- He admitted to giving his account to be used by his friend i.e. Noticee No.2.
- He also stated that there are no large transactions on the statement.

Noticee No.2:

- Poor and was experiencing a difficult money situation during covid.
- When he joined axis Securities, he was the sole bread winner of his family.
- Admitted to placing the front –running trades and earning profit, which was required for settling his family loans as he was not aware that it was illegal to purchase and trade in the stocks that he recommended.

- He submitted that his friends i.e. Noticee No.1 was not aware of the stock market and that he was innocent.
- Owing to poor financial situation and loans, he had decided to trade in the stock market.

6. Thereafter, in accordance with the principles of natural justice, the Noticees were granted an opportunity of personal hearing. In this connection, SEBI vide email dated December 20, 2024 informed the Noticees to appear for personal hearing scheduled on January 10, 2025.

7. Consequently, the Noticees appeared in person on January 10, 2025 and reiterated the submissions made by them vide their replies and admitted the charges levelled against them.

8. From the above, I note that the SCN and Hearing Notice were duly served to the Noticees and sufficient time was provided to submit their replies. Further, an opportunity of personal hearing was also given to the Noticees, which was availed by them. Hence, the principles of natural justice were complied with respect to the Noticees and I shall now proceed to deal with the key issues involved in the instant matter.

ISSUES FOR CONSIDERATION

9. On perusal of the observations and allegations brought out in the SCN, the replies filed by the Noticees and other material available on record, the following issues arise for consideration in the present proceedings:

A. Whether Noticee No.2, using the trading account of Noticee No.1, front ran the trades of Big Clients during the IP and made profit consequently in violation of the provisions of SEBI Act and SEBI PFUTP Regulations as alleged in the SCN?

B. If the answer to the above issue is in affirmative, what directions, if any, including the amount of monetary penalty, is required to be imposed on the Noticees?

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

SEBI Act, 1992:

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;*

SEBI (PFUTP) Regulations, 2003

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 are cognized 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:—*
-
- (g) *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;*

11. I shall now proceed with the matter on merits.

A. Whether Noticee No.2, using the trading account of Noticee No.1, front ran the trades of Big Clients during the IP and made profit consequently in violation of the provisions of SEBI Act and SEBI PFUTP Regulations as alleged in the SCN?

- i. I find from the SCN that the Noticees were childhood friends and connected to each other in many ways. The said facts are also admitted by the Noticees during the investigation.
- ii. Further, I find that the SCN alleged that Noticee No.2 had 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. It further alleged that the front running trades were done from trading account of Noticee No.1 maintained with Zerodha broking. The bank account associated with the said trading account was maintained with HDFC bank account (A/c no. 5010023466XXXX). 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 kadam.vikrant77@gmail.com and the mobile number registered with the said trading account was 982XXXX977.
- iii. Before proceeding with the case on merit I find that it would be appropriate to refer to the definition of front running and understand the said concept, I note that, the Hon`ble Supreme Court, 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. The 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 Law Lexicon by P. Ramanatha Aiyer, Black's Law Dictionary, as also Wall Street Journal
"As per the Major Law Lexicon by P Ramanatha Aiyar (4th Edition 2010), 'front running' is defined as under:

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.

SEBI has defined front-running in one of its circular of 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."

- iv. Thus, I note from the above that for any trading activity to be considered as front-running it should satisfy the following: -
 - a) Information regarding an impending substantial order of the *Big client* in a particular security, which is not publicly available; and

- 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.
- v. With respect to the front running trades executed in the trading account of Noticee No.1 by Noticee No.2, I noted the following in respect of the Noticees' transactions in the cash market segment, the equity derivative segment, profit made by the front runners, illustration of front running trades, details of order placed by Noticee No.2, execution of orders through the trading account of Noticee No.1 and fund transfers between the Noticees.

10.1. Cash Market Segment

10.1.1. I note that in the cash market segment, the trading volume of the Big Client was in the range of 50,000 shares to 20,00,000 shares on the days when front-running trades had occurred. The summary of the total trading activity of Noticee No.1 in cash segment observed during the IP is as under:

Table-1

Details	Trading Activity of Noticee No.1			
	No. of Instances	Gross Traded Value (Rs. In Lacs)	Avg. per instance Gross Traded Value (Rs. In Lacs)	Profit (Rs. In Lacs)
No. of Scrip days traded during the period of analysis	108	9374.39	86.80	22.54
Scrip days wherein day trade observed	68	8984.42	132.12	21.79
Common Scrip days where Match trade with Big Client observed	14	2324.33	166.02	15.70
Common Scrip days where Match trade with Big Client trade is more than 50 %	10	1323.04	132.30	8.16
Common Scrip days where Match trade with Big Client trade is more than 20 %	14	2324.33	166.02	15.70
Instances where FR earned a square off 1 Lac or more	7	2026.61	289.52	20.15

10.1.2. The summary of trading activity of front runner observed during the IP is given below:

Table-2

Particulars	Client Name	Noticee No.1 (AALCA9158R)
Total Instances	No. of Instance	108
	GTV (Rs. In Lacs)	9,374.39
	Avg. per instance GTV (Rs. In Lacs)	86.80
	Profit (Rs. In Lacs)	22.54
Common Instances	No. of Instance	26
	GTV (Rs. In Lacs)	3,567
	Avg. per instance GTV (Rs. In Lacs)	137.17
	Profit (Rs. In Lacs)	22.12
	% of common GTV	38.05
Non common	No. of Instance	82
	GTV (Rs. In Lacs)	5,808
	Profit (Rs. In Lacs)	0.42
Intraday	No. of Instance	68
	GTV (Rs. In Lacs)	8,984.42
	Profit (Rs. In Lacs)	21.79
Common Intraday	No. of Instance	24
	GTV (Rs. In Lacs)	3,489
	Profit (Rs. In Lacs)	21.37
	% of common intraday GTV	37.22
Front Running instances	No. of Instance	20
	GTV (Rs. In Lacs)	2,600
	Profit (Rs. In Lacs)	17.97
	% of FR instances GTV	27.74
	% of FR instances Profit	79.72

10.1.3. Further, it was observed during the IP that Noticee No.1 traded in 108 scrip days in the equity segment, wherein he had 26 commonly traded scrip days with the Big Client and had contributed to 38.05% of the Gross Traded Value (GTV).

10.1.4. Thereafter, out of the 24 common intraday instances, in 20 instances Front running pattern was observed which constituted 27.74% of the GTV.

10.1.5. The details of the 20 instances of front running which constituted 27.74% of the GTV, as mentioned above are given below:

Table-3

Sr. No.	Trade date	Symbol	Big Client activity	Big traded qty	FR buy qty	FR Sell qty	Matching %	Squared off diff (Rs.)
1.	07-Apr-2021	CENTRALBK	Buy	1000000	174678	174678	52.52	20420.80
2.	07-Apr-2021	ATGL	Buy	50000	500	500	100	10038.95
3.	08-Apr-2021	TATASTLBSL	Buy	1000000	9000	9000	-	1800.00
4.	08-Apr-2021	SAIL	Buy	1000000	30000	30000	-	6000.00
5.	09-Apr-2021	BANKINDIA	Buy	274311	50000	50000	91.79	22210.10
6.	09-Apr-2021	MAHABANK	Buy	800000	178024	178024	81.26	59558.70
7. 0	09-Apr-2021	NCC	Sell	500000	45000	45000	-	3428.00
8.	19-Apr-2021	BANKINDIA	Sell	624311	80000	80000	-	87740.90
9.	19-Apr-2021	BANKBAROD A	Sell	300000	60000	60000	100	3602.90
10.	19-Apr-2021	IDFCFIRSTB	Sell	2000000	210000	210000	33.33	10565.15
11.	27-May-2021	UNIONBANK	Buy	1700000	320965	320965	82.75	55241.25
12.	02-Jun-2021	CENTRALBK	Buy	1857238	650000	650000	46.15	350645.95
13.	14-Jun-2021	JINDALSAW	Sell	423956	131287	131287	76.17	158579.55
14.	22-Jun-2021	IRB	Buy	625000	100000	100000	-	464572.30
15.	07-Jul-2021	UNIONBANK	Sell	903577	200000	200000	50	2000.00
16.	20-Aug-2021	NELCO	Buy	60000	4000	4000	-	27021.25
17.	13-Sep-2021	SURYODAY	Buy	192804	23000	23000	100	317360.45
18.	14-Sep-2021	SURYODAY	Buy	207196	18000	18000	100	77617.85
19.	14-Sep-2021	IRB	Sell	205000	102921	102921	95.41	91766.70
20.	20-Sep-2021	ALOKINDS	Sell	262748	118980	118980	-	26542.35
Total								17,96,713.15

10.1.6. From the above table it is observed that the Noticee No.1 earned a positive square off difference of Rs.17.97 Lakhs through front running trades which constituted 79.72% of total profit earned by Noticee No.1.

10.1.7. Furthermore, Noticee No.1's average GTV in all the 108 trades was Rs. 86.80 Lakhs, while in the case of Front Running trades, Noticee No.1's average GTV increased to Rs.130.02 Lakhs, i.e. 1.5 times the average GTV for all trades.

10.1.8. It was also observed that in 13 out of 20 Front Running instances, matching percentage of the Noticee No.1 with the Big Client was in range of 33% - 100%.

10.2. Equity Derivative Segment

10.2.1. Similarly, in the equity derivatives segment, it was observed during the IP that the trading volume of the Big Client was in the range of 24,000 to 40,09,000 shares in the contracts on the days in which front-running activities had occurred. The summary of the total trading activity of Noticee No.1 in the equity derivatives segment observed during the IP is as under:

Table-4

Details	Trading Activity of Noticee No.1			
	No. of Instances	Gross Traded Value (Rs. In Lacs)	Avg. per instance Gross Traded Value (Rs. In Lacs)	Profit (Rs. In Lacs)
No. of Scrip days traded during the period of analysis	253	14508.05	57.34	23.30
Scrip days wherein day trade observed	149	13502.92	90.62	26.23
Common Scrip days where Match trade with Big Client observed	28	5201.43	185.77	11.93
Common Scrip days where Match trade with Big Client trade is more than 50 %	20	3464.15	173.21	7.10
Common Scrip days where Match trade with Big Client trade is more than 20 %	28	5201.43	185.77	11.93
Instances where FR earned a square off 1 Lac or more	3	652.68	217.56	5.51

10.2.2. The summary of trading activity of front runner observed during the IP is given below.

Table-5

Particulars	Client Name	Noticee No.1 (AALCA9158R)
Total Instances	No. of Instance	253
	GTV (Rs. In Lacs)	14,508.05
	Avg. per instance GTV (Rs. In Lacs)	57.34
	Profit (Rs. In Lacs)	23.30
Common Instances	No. of Instance	58
	GTV (Rs. In Lacs)	8,855
	Avg. per instance GTV (Rs. In Lacs)	152.68
	Profit (Rs. In Lacs)	16.14
	% of common GTV	61.04
Non common	No. of Instance	195
	GTV (Rs. In Lacs)	5,653
	Profit (Rs. In Lacs)	7.17
Intraday	No. of Instance	149
	GTV (Rs. In Lacs)	13,502.92
	Profit (Rs. In Lacs)	26.23
Common Intraday	No. of Instance	58
	GTV (Rs. In Lacs)	8,855
	Profit (Rs. In Lacs)	16.14
	% of common intraday GTV	61.04
	% of common intraday Profit	69.27
Front Running instances	No. of Instance	49
	GTV (Rs. In Lacs)	7,628
	Profit (Rs. In Lacs)	16.30
	% of instances GTV	52.58
	% of instances Profit	69.96

10.2.3. Noticee No.1's GTV in Front Running instances in the equity derivatives segment with the Big Client during the IP amounted to Rs.7,628 Lakhs,

which accounted for 52.58% of his total GTV and resulting in a profit of Rs.16.30 Lakhs.

10.2.4. Thus, Noticee No.1 has traded for 253 scrip days in equity derivatives segment during period of analysis, out of which he had 58 commonly traded scrip days with the Big Client and contributed to 61.04% of his GTV.

10.2.5. Thereafter, it was observed that out of the 58 commonly traded scrip days with the Big Client, in 49 instances Front running pattern was observed which constituted 52.58% of the GTV.

10.2.6. Thereafter, it was observed that Noticee No.1 traded intraday in all the 58 common instances, out of which, in 49 instances Noticee No.1 earned positive square off of Rs.16.30 Lakhs.

10.2.7. The details of the 49 instances of front running which constituted 52.58% of the GTV, as mentioned above are given below.

Table-6

Sr. No.	Date	Security Name /Contract	FUTK_expiry_date	FUTK_option_type	Big Client activity	Big Client Traded Qty	FR Buy Qty	FR Sell Qty	Matching %	Squared off diff (Rs.)
1.	07-Apr-2021	ADANIP ORTS	29/04/2021	FF	Buy	50,000.00	2,500.00	2,500.00	-	2,625.00
2.	12-Apr-2021	TATACHEM	29/04/2021	FF	Sell	24,000.00	4,000.00	4,000.00	-	9,500.00
3.	12-Apr-2021	DLF	29/04/2021	FF	Sell	2,47,500.00	13,200.00	13,200.00	-	15,675.00
4.	12-Apr-2021	TATASTEEL	29/04/2021	FF	Sell	1,20,700.00	3,400.00	3,400.00	-	11,475.00
5.	12-Apr-2021	ADANIENT	29/04/2021	FF	Sell	24,000.00	2,000.00	2,000.00	-	9,800.00
6.	15-Apr-2021	SAIL	29/04/2021	FF	Buy/Sell	14,44,000.00	38,000.00	38,000.00	50.00	10,450.00
7.	15-Apr-2021	BANKBARODA	29/04/2021	FF	Buy	3,97,800.00	46,800.00	46,800.00	100.00	9,360.00
8.	15-Apr-2021	JSWSTEEL	29/04/2021	FF	Buy/Sell	1,99,800.00	32,400.00	32,400.00	25.00	5,265.00
9.	15-Apr-2021	DLF	29/04/2021	FF	Sell	2,50,800.00	16,500.00	16,500.00	100.00	26,895.00
10.	15-Apr-2021	JINDALSTEEL	29/04/2021	FF	Sell	3,00,000.00	5,000.00	5,000.00	-	1,500.00
11.	15-Apr-2021	ADANIP ORTS	29/04/2021	FF	Sell	25,000.00	5,000.00	5,000.00	-	11,375.00
12.	15-Apr-2021	ADANIENT	29/04/2021	FF	Sell	26,000.00	2,000.00	2,000.00	-	6,300.00

Sr. No.	Date	Security Name /Contract	FUTK_expiry_date	FUTK_option_type	Big Client activity	Big Client Traded Qty	FR Buy Qty	FR Sell Qty	Matching %	Squared off diff (Rs.)
13.	19-Apr-2021	JSWSTEEL	29/04/2021	FF	Sell	1,89,000.00	8,100.00	8,100.00	-	9,585.00
14.	19-Apr-2021	BHARTIARTL	29/04/2021	FF	Sell	77,742.00	11,106.00	11,106.00	-	17,954.70
15.	19-Apr-2021	JINDALSTEL	29/04/2021	FF	Sell	61,413.00	10,000.00	10,000.00	-	1,250.00
16.	27-Apr-2021	IDFCFIRSTB	27/05/2021	FF	Buy	29,83,000.00	1,14,000.00	1,14,000.00	100.00	31,350.00
17.	27-Apr-2021	ADANIPORTS	27/05/2021	FF	Buy	3,00,000.00	22,500.00	22,500.00	66.67	16,375.00
18.	28-Apr-2021	BANKBARODA	27/05/2021	FF	Buy	20,00,700.00	1,17,000.00	1,17,000.00	100.00	49,725.00
19.	28-Apr-2021	JINDALSTEL	27/05/2021	FF	Buy	3,00,000.00	20,000.00	20,000.00	75.00	19,500.00
20.	28-Apr-2021	CANBK	27/05/2021	FF	Buy	9,99,000.00	32,400.00	32,400.00	-	16,200.00
21.	29-Apr-2021	JINDALSTEL	27/05/2021	FF	Buy	90,000.00	10,000.00	10,000.00	-	18,250.00
22.	30-Apr-2021	JINDALSTEL	27/05/2021	FF	Sell	6,90,000.00	25,000.00	25,000.00	50.00	29,875.00
23.	30-Apr-2021	IDFCFIRSTB	27/05/2021	FF	Sell	14,91,500.00	76,000.00	76,000.00	62.50	19,950.00
24.	30-Apr-2021	SAIL	27/05/2021	FF	Buy	40,09,000.00	76,000.00	76,000.00	50.00	3,27,750.00
25.	30-Apr-2021	CANBK	27/05/2021	FF	Sell	9,99,000.00	43,200.00	43,200.00	100.00	43,470.00
26.	07-May-2021	VEDL	27/05/2021	FF	Buy	5,02,200.00	31,000.00	31,000.00	-	9,300.00
27.	07-May-2021	BANKBARODA	27/05/2021	FF	Sell	20,00,700.00	93,600.00	93,600.00	100.00	47,970.00
28.	12-May-2021	BHEL	27/05/2021	FF	Buy	10,08,000.00	84,000.00	84,000.00	-	87,150.00
29.	12-May-2021	SAIL	27/05/2021	FF	Sell	5,51,000.00	47,500.00	47,500.00	-	71,250.00
30.	14-May-2021	SAIL	27/05/2021	FF	sell	17,86,000.00	95,000.00	95,000.00	100.00	63,175.00
31.	18-May-2021	BHARTIARTL	27/05/2021	FF	Buy/Sell	2,49,885.00	22,212.00	22,212.00	100.00	32,577.60
32.	18-May-2021	JINDALSTEL	27/05/2021	FF	Sell	4,37,500.00	17,500.00	17,500.00	100.00	54,375.00
33.	21-May-2021	VEDL	27/05/2021	FF	Sell	68,200.00	31,000.00	31,000.00	70.00	48,980.00
34.	24-May-2021	IDFCFIRSTB	24/06/2021	FF	Buy	20,04,500.00	1,04,500.00	1,04,500.00	100.00	56,050.00
35.	24-May-2021	BANKBARODA	24/06/2021	FF	Buy	30,06,900.00	1,63,800.00	1,63,800.00	50.00	11,700.00
36.	28-May-2021	BHEL	24/06/2021	FF	Sell	10,08,000.00	1,05,000.00	1,05,000.00	70.00	52,500.00
37.	31-May-2021	TATASTEEL	24/06/2021	FF	Buy	85,000.00	11,050.00	11,050.00	92.31	11,305.00
38.	10-Jun-2021	IDFCFIRSTB	24/06/2021	FF	Sell	22,04,000.00	1,14,000.00	1,14,000.00	-	475.00
39.	10-Jun-2021	PNB	24/06/2021	FF	Sell	5,12,000.00	1,92,000.00	1,92,000.00	50.00	16,000.00
40.	10-Jun-2021	BANKBARODA	24/06/2021	FF	Sell	8,07,300.00	46,800.00	46,800.00	-	14,625.00
41.	23-Jun-2021	TATASTEEL	29/07/2021	FF	Sell	2,11,650.00	8,500.00	8,500.00	100.00	30,302.50
42.	23-Jun-2021	SAIL	29/07/2021	FF	Sell	9,31,000.00	57,000.00	57,000.00	50.00	71,250.00
43.	23-Jun-2021	ADANIPORTS	29/07/2021	FF	Sell	3,00,000.00	13,750.00	13,750.00	100.00	79,000.00
44.	06-Jul-2021	TATASTEEL	29/07/2021	FF	Buy	53,550.00	11,900.00	11,900.00	100.00	12,282.50

Sr. No.	Date	Security Name /Contract	FUTK_expiry_date	FUTK_option_type	Big Client activity	Big Client Traded Qty	FR Buy Qty	FR Sell Qty	Matching %	Squared off diff (Rs.)
45.	06-Jul-2021	ADANIP ORTS	29/07/2021	FF	Buy	1,02,500.00	20,000.00	20,000.00	-	48,000.00
46.	08-Jul-2021	TATASTEEL	29/07/2021	FF	Buy	1,28,350.00	12,750.00	12,750.00	-	65,195.00
47.	16-Jul-2021	TATASTEEL	29/07/2021	FF	Buy	1,36,000.00	11,050.00	11,050.00	-	10,540.00
48.	19-Jul-2021	TATASTEEL	29/07/2021	FF	Sell	1,44,500.00	11,050.00	11,050.00	23.08	10,922.50
49.	16-Aug-2021	SBIN	26/08/2021	FF	Sell	1,47,000.00	22,500.00	22,500.00	100.00	4,500.00
Total										16,29,629.80

10.2.8. From the above it is observed that Noticee No.1 has earned a positive square off difference of Rs.16.30 Lakhs through front running trades which constituted 69.98% of total profit earned by the Noticee No.1.

10.2.9. It is also observed that Noticee No.1's average GTV in all the 253 trades was Rs.57.34 Lakhs, while in case of Front Running trades, Noticee No.1's average GTV increased to Rs.155.67 Lakhs, which is 2.71 times the average GTV for all trades.

10.2.10. In the aforesaid 49 instances of front running, in about 28 instances, the matching percentage of the Noticee No.1 with Big Client ranged between 23% - 100%.

10.3 Profit made by front runners

10.3.1. From the above, I note that the total profit/ unlawful gains made through front running trades is Rs.17,96,713.15 (Cash Segment) +Rs.16,29,629.80 (Equity Derivative Segment) =Rs.34,26,342.95

10.4 Illustration of Front Running Trades

10.4.1. I note that front-running trades as stated in the preceding para can be placed either by the "Buy-Buy-Sell method" i.e. the 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 or by the "Sell-Sell-Buy method" i.e. the 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. Further, I note that the Buy-Buy-Sell method or Sell-Sell-Buy method 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.

10.4.2. Accordingly, the illustrations of certain trades executed by the front-runner using the Buy-Buy-Sell method and the Sell-Sell-Buy method in both the cash segment and the derivative market segment in the present matter are as under;

i. Buy-Buy-Sell (Equity segment) - Trade date: 09-Apr-2021 (MAHABANK)

Table-7

	Front Runner				Big Client		
	Total Buy Qty	Avg Buy Price (Rs.)	Turnover (Rs.)				
	1,78,024	23.42	41,68,511.3				
	Buy Order Time(range)	Buy Order Price (Rs.)	Buy Trade Time(range)	Buy Trade Price (Rs.)			
From	12:46:02	23.35	12:46:02	23.35			
To	12:47:50	23.45	12:47:50	23.45			
	Total Sell Qty	Avg Sell Price (RS.)	Turnover (RS.)	Matched Qty Big Client	Total Buy Qty	Avg Buy Price (RS.)	Turnover (RS.)
	1,78,024	23.75	42,28,070	1,44,659	8,00,000	23.61	1,88,91,259.7

	Sell Order Time(range)	Sell Order Price (RS.)	Sell Trade Time(range)	Sell Trade Price (RS.)	Buy Order Time(range)	Buy Order Price (RS.)	Buy Trade Time(range)	Buy Trade Price (RS.)
From	12:48:16	24	12:54:39	23.75	12:48:33	23.5	12:48:33	23.45
To	12:55:45	23.75	12:57:25	23.75	13:55:19	23.2	13:55:19	23.2

- a. From the table above it is observed that on April 09, 2021, in the scrip of MAHABANK, the buy trades of Noticee No.1 for 178024 shares were paced between 12:46:02 and 12:47:50. The start price and the end price for the said buy trades was Rs.23.35 and Rs.23.45, respectively (i.e. at an average of Rs.23.42).
- b. Further, it was observed that the buy trades for 8,00,000 shares by the Big client were ranging between 12:48:33 and 13:55:19. The start price and the end price for the said buy trades was Rs.23.45 and Rs.23.2, respectively (i.e. at an average of Rs.23.61).
- c. It was also observed that as soon as Big Client started buying, sell trades were executed for 1,78,024 shares between 12:54:39 and 12:57:25 by Noticee No.1. The average price at which the sell trades were executed was Rs.23.75 and out of 1,78,024 shares of Noticee No.1, 1,44,659 shares matched with the Big Client. The entire trade for the day had a positive square off Rs. 59,558.70.
- d. Thus from the above, it was observed that the buy orders of Noticee No.1 were placed before the impending buy orders of the Big Client. Further, as and when the buy order of Big Client was placed in the system, because of sudden surge in demand for a considerable quantity, there was an upward movement in the price of the scrip and correspondingly, sell trades were also executed by Noticee No.1.

ii. Sell-Sell-Buy (Equity segment) - Trade date: 14-Jun-2021
(JINDALSAW)

Table-8

	Front Runner				Big Client			
	Total Sell Qty	Avg Sell Price (Rs.)	Turnover (Rs.)					
	131287	111.94	14695766.55					
	Sell Order Time(range)	Sell Order Price (Rs.)	Sell Trade Time(range)	Sell Trade Price (Rs.)				
From	15:15:51	114	15:16:14	112.6				

To	15:18:40	111	15:18:40	111.15				
	Total Buy Qty	Avg Buy Price (Rs.)	Turnover (Rs.)	Matched Qty Big Client	Total Sell Qty	Avg Sell Price (Rs.)	Turnover (Rs.)	
	131287	110.73	14537187	100000	423956	111.07	47087802.7	
	Buy Order Time(range)	Buy Order Price (Rs.)	Buy Trade Time(range)	Buy Trade Price (Rs.)	Sell Order Time(range)	Sell Order Price (Rs.)	Sell Trade Time(range)	Sell Trade Price (Rs.)
From	15:18:59	110.1	15:19:29	110.1	15:19:29	110.1	15:19:29	112.2
To	15:21:10	0	15:21:10	112.95	15:26:47	112	15:29:54	112

- a. From the above table, it is observed that on June 14, 2021 in the scrip of JINDALSAW the sell trades were executed by Noticee No.1 for 1,31,287 shares between 15:16:14 and 15:18:40. The start price and the end price for the said sell trades was Rs.112.6 and Rs.111.15, respectively. Subsequently, the sell trades for 4,23,956 shares were executed by the Big Client between 15:19:29 and 15:29:54. The start price and the end price for the said sell trades was Rs.112.2 and Rs.112. Further, I note that, as soon as the Big Client started selling, buy trades were executed for 1,31,287 shares between 15:19:29 and 15:21:10 by Noticee No.1. The said buy trades were executed between Rs. 10.10 and 112.95. Thereafter, it is also observed that 1,00,000 shares purchased by Noticee No.1 had matched trades with the Big Client and the above trades resulted in a positive square off difference of Rs.158,580/- for the Noticee No.1.
- b. Further, it was observed that as and when the sell order of Big Client was placed in the system, there was a downward movement in the price of the scrip because of the sudden surge in the number of shares available for sale vis-à-vis demand for the same and correspondingly, buy trades were getting executed by Noticee No.1.

iii. Buy-Buy-Sell (Equity derivatives segment)- Trade date: 30-04-2021 (SAIL FF Expiry-27-05-2021) (1 lot =9500 shares)

Table - 9

	Front Runner			Big Client
	Total Buy Qty	Avg Buy Price (Rs.)	Turnover (Rs)	
	76,000 (8 lots)	114.49	87,01,525.00	

	Buy Order Time(range)	Buy Order Price (Rs.)	Buy Trade Time(range)	Buy Trade Price (Rs)				
From	09:15:29	Market Order	09:15:29	112.45				
To	09:28:27	Market Order	09:28:27	116.55				
	Total Sell Qty	Avg Sell Price (Rs.)	Turnover (RS.)	Matched Qty Big Client	Total Buy Qty	Avg Buy Price(Rs.)	Turnover (Rs.)	
	76,000 (8 lots)	118.81	90,29,275.00	38,000 (4 lots)	40,09,000 (422 lots)	119.03	47,72,09,225	
	Sell Order Time(range)	Sell Order Price (Rs.)	Sell Trade Time(range)	Sell Trade Price (Rs.)	Buy Order Time(range)	Buy Order Price (Rs.)	Buy Trade Time(range)	Buy Trade Price (Rs.)
From	09:20:36	Market Order	09:20:36	116.75	09:28:45	Market Order	09:28:45	116.45
To	09:30:05	120.90	09:30:17	120.90	09:31:19	Market Order	09:31:19	120.80

- a. From the above table, it is observed that on April 30, 2021, in the contract of SAIL the buy trades of Noticee No.1, for 76,000 shares (8 lots) were between 09:15:29 and 09:28:27. The start price and the end price for the said buy trades was Rs.112.45 and Rs.116.55 (i.e., average price of Rs.114.49), respectively.
- b. It is further observed that the buy trades for 40,09,000 shares (422 lots) by the Big Client were executed between 09:28:45 and 09:31:19. The start price and the end price for the said buy trades was Rs. 116.45 and Rs.120.80 (i.e., at an average of Rs.119.03), respectively.
- c. It is also observed that as soon as Big Client started buying, sell trades were executed for 76,000 shares between 09:20:36 and 09:30:17 by Noticee No.1. The start price and the end price for the said sell trades was Rs.116.75 and Rs.120.70 (i.e., at an average of Rs.118.81), respectively. Additionally, 38,000 shares (4 lots) sold by Noticee No.1 matched trades with the Big client. Also, the above trades had a positive square off difference of Rs.3.28 Lakhs.

iv. Sell-Sell-Buy (Equity derivatives segment) - Trade date: 30-Apr-2021
(CANBK FF Expiry-27-05-2021) (1 lot = 5400 shares)

Table-10

	Front Runner				Big Client			
	Total Sell Qty	Avg Sell Price (Rs.)	Turnover (Rs.)					
	43,200 (8 lots)	141.21	61,00,110.00					
	Sell Order Time(range)	Sell Order Price (Rs.)	Sell Trade Time(range)	Sell Trade Price (Rs.)				
From	13:33:02	Market Order	13:33:02	141.30				
To	13:33:02	Market Order	13:33:02	141.15				
	Total Buy Qty	Avg Buy Price (Rs.)	Turnover (Rs.)	Matched Qty Big Client	Total Sell Qty	Avg Sell Price (Rs.)	Turnover (Rs.)	
	43,200 (8 lots)	140.20	60,56,640.00	43,200 (8 lots)	9,99,000 (185 lots)	140.66	14,05,18,260.00	
	Buy Order Time(range)	Buy Order Price (Rs.)	Buy Trade Time(range)	Buy Trade Price (Rs.)	Sell Order Time(range)	Sell Order Price (Rs.)	Sell Trade Time(range)	Sell Trade Price (Rs.)
From	13:35:27	140.20	13:35:40	140.2	13:34:09	141.00	13:34:09	141.35
To	13:35:27	140.20	13:35:55	140.2	13:44:10	141.20	13:46:05	139.85

- a. From the table above, it is observed that on April 30, 2021, in the contract of CANBK the sell trades were executed by Noticee No.1 for 43,200 shares (8 lots) between 13:33:02 and 13:33:02. The start price and the end price for the said sell trades was Rs.141.30 and Rs.141.15 (i.e., at an average of Rs.141.21), respectively.
- b. It was also observed that the sell trade for 999,000 shares (185 lots) was executed by Big Client between 13:34:09 and 13:46:05. The start price and the end price was Rs.141.35 and Rs.139.85 (i.e., at an average of Rs.140.66), respectively.
- c. Further, it was observed that as soon as Big Client started selling, buy trades were executed for 43200 shares (8 lots) between 13:35:40 and 13:35:55 by Noticee No.1. The start price and end price of the said sell trades was Rs.140.20 and Rs.140.20 (i.e., at an average of Rs.140.20), respectively. Also, 43200 shares sold by Noticee No.1 matched with trades of the Big Client. Additionally, the above trade had a positive square off difference of Rs.0.43 Lakhs.

10.5 Details of order placed by Noticee No.2, observed during investigation

10.5.1. In respect of the above, I note that in the present matter the Big Client, was the only HNI client that Noticee No.2 was dealing with to place orders. Therefore, being the broker of Axis Securities Ltd., Noticee No.2 had placed orders as per the instructions of the Big Client. Further, during the statement recording of Noticee No.2 on January 13, 2023, he had stated that his seniors Dharmender Singh or Saurabh Tripathi used to inform him about the scrips/contracts that Big Client., was interested in placing orders for and asked him to get in touch with Big Client for placing the orders for the same. Thereafter, in turn, he used to inform Noticee No.1 telephonically to place his orders in the market in the same scrips/contracts. After which, he used to call the Big Client, for instructions for placing their orders in those scrips/contracts. Noticee No.1 made profit most of the time by following this strategy.

10.5.2. It was observed that the front-running orders of Noticee No.1 were placed through online trading platform KITE provided by the broker Zerodha for trading in stock and commodity exchanges. As front running orders and trades were executed online, no dealer was required for execution of these orders and accordingly, the IP address and related details of the orders placed by Noticee No.1 were obtained from his broker Zerodha.

10.6 Execution of orders through the trading account of Noticee No.1

10.6.1. After analyzing the IP address and related details of the orders placed by Noticee No.1, they were then sent to the Telephone Service Provider (TSP) Reliance JIO, requesting for Hostname/ Registered Name/ CAF/ KYC & Exact Location of IP addresses. In reply, TSP submitted the Internet Protocol Detail Records (IPDR) extracted from system.

10.6.2. On the analysis of the IPDR details of Noticee No.1, it was observed that mobile phone no.900XXXX299 of Noticee No.2 appeared at several instances, revealing that Noticee No.2 was placing orders through the trading account of Noticee No.1 for front running the orders/trades of the Big Client during the IP. The following are the instances:

Table-11

Landline/MSISDN*/MDN/ Leased Circuit ID for Internet Access	Source IP Address (IP Address Assigned/Translated)	Start Date of Public IP Address allocation (dd/mm/yyyy)	IST Start Time of Public IP address allocation (hh:mm:ss)	End Date of Public IP address allocation (dd/mm/yyyy)	IST End Time of Public IP address allocation (hh:mm:ss)	Roaming Circle
91900XXXX299	2409:4040:e9e:bcbd::a5ca:de05	23/06/2021	13:12:29	23/06/2021	14:12:29	Mumbai
91900XXXX299	2409:4040:e9e:bcbd::a5ca:de05	23/06/2021	12:12:29	23/06/2021	13:12:29	Mumbai
91900XXXX299	2409:4040:e9e:bcbd::a5ca:de05	23/06/2021	12:12:29	23/06/2021	13:12:29	Mumbai
91900XXXX299	2409:4040:e9e:bcbd::a5ca:de05	23/06/2021	13:12:29	23/06/2021	14:12:29	Mumbai
91900XXXX299	2405:204:28c:967d::87e:d0b1	06/07/2021	09:15:20	06/07/2021	09:45:20	Mumbai
91900XXXX299	2405:204:28c:967d::87e:d0b1	06/07/2021	09:45:20	06/07/2021	10:15:20	Mumbai
91900XXXX299	2405:204:28c:967d::87e:d0b1	07/07/2021	12:01:04	07/07/2021	12:31:04	Mumbai
91900XXXX299	2405:204:28c:967d::87e:d0b1	07/07/2021	11:31:04	07/07/2021	12:01:04	Mumbai
91900XXXX299	2405:204:28c:967d::87e:d0b1	08/07/2021	10:35:21	08/07/2021	11:05:21	Mumbai
91900XXXX299	2405:204:28c:967d::87e:d0b1	08/07/2021	10:05:21	08/07/2021	10:35:21	Mumbai

10.6.3. It can be seen from above table that on 4 days viz. June 23, 2021, July 06, 2021, July 07, 2021 and July 08, 2021 the mobile phone no. 900XXX299 of Noticee No.2 appears in the IP details of orders in the trading account of Noticee No.1. Therefore, on all these dates the orders were placed through the trading account of Noticee No.1 by Noticee No.2. Further, out of these days, front running activities were observed in equity derivatives segment on June 23, 2021, July 06, 2021 and July 08, 2021 and in equity segment on July 07, 2021.

10.6.4. The above mentioned observations are corroborated by the following;

- a) The statement of Noticee No.1 recorded on January 13, 2023, which states as under:

“The bank statement of my HDFC account was shown to me. I confirm from the funds transactions in the bank account that Vikrant had earlier given me Rs. 5 lakhs in March 2021 in my ICICI bank account to transfer the amount into my HDFC bank account for further transferring the amount to Zerodha. I accordingly transferred the fund as advised by Vikrant. Vikrant told me that this amount would be used for trading in the securities market by Vikrant by using my Zerodha account”.

.....

“I had not placed orders for trading in the securities market through Zerodha. I had allowed Vikrant Kadam to trade in my Zerodha account on his request. I do not know in which shares /contracts, Vikrant used to trade through my Zerodha account.

When I received emails from Zerodha regarding trades executed in my account I enquired about the same with Vikrant. Vikrant never gave any detailed explanation for the email received, however he said that he had traded in his account that's why emails were received by me.”

- b) The statement of Noticee No.2 recorded on January 13, 2023, where he had admitted to have advised Noticee No.1 to trade in the same scrips/contracts in which he was placing orders for the Big Client.
- c) The statement recording of Sambit Sahu, Sr. Vice President of Axis Securities Ltd. where he had stated that even during COVID period Noticee No.2 had gone regularly to office of Axis Securities Ltd.
- d) The reply of Noticee No.2 to SEBI vide email dated February 21, 2023 in which Noticee No.2 had admitted that “...some times as per Mandar

request I am helping him for execution of trades however I have helped him when he having issue while placing order on that time.” (sic)

- e) Additionally, vide email dated February 22, 2023, Noticee No.2 further submitted that *“I don’t have that much of time in market hours to login his account every time and trade. The incidence happens only few times.”*

10.6.5. Thereafter, on the specific query regarding the details of device/mobile, through which orders in account of Noticee No.1 were placed, Noticee No.2, replied vide email dated February 22, 2023 that he changed the device/mobile one year ago, therefore, he did not have any details. The said reply of Noticee No.2 clearly indicates that he had used the device/mobile through which the orders in the trading account of Noticee No.1 were placed and he had changed the device/mobile a year ago due to which he did not have any details. Subsequently in his reply vide email dated February 23, 2023, he specified that the device/mobile used prior to changing his device/mobile was his own. He also replied that the orders in the trading account of Noticee No.1 were placed from the location *“Axis securities Lodha Suprimus, Opposite Kamla Mill, Pin - 400013”*, which is the address of Axis Securities Ltd, where Noticee No.2 was employed as a dealer during the IP.

10.6.6. The above said facts satisfies the conditions specified in para 10.iv (a) and (b) and clearly establishes that Noticee No. 2 received instructions from Big Client to place the orders on the terminal of Axis Securities Ltd., on its behalf and around the same time Noticee No.2 placed his own orders online through trading account of Noticee No. 1.

10.7 Funds transfers between the Noticees

10.7.1. I note that during the investigation, multiple funds transactions were executed between Noticee No.1 and Noticee No.2, from the HDFC bank account (A/c no. 5010023466XXXX) of Noticee No.1. Further, during

statement recording and in the reply, Noticee No.1 admitted to having financial transactions with Noticee No.2 and also Noticee No.2, during his statement recording and in the reply has admitted to having funded Noticee No.1, because being a dealer with Axis Securities Ltd., as he not allowed to trade in the securities market.

10.7.2. Thereafter, vide email dated October 27, 2023 Noticee No.2 has admitted to transacting through his mother's account [Mrs. Kanchan Bhimrao Kadam, Kotak Mahindra Bank Account No. 1812009281 (PAN: AZFPK2089P)], registering his mobile number and email ID. Later, in his reply Noticee No. 2 also stated that he had taken a gold loan of Rs.5,00,000/- in exchange for his mother's jewels.

10.7.3. Upon examining the bank account of Noticee No. 2's mother, it was observed that, Noticee No.2 (who was trading in the trading account of Noticee No.1 in Zerodha) transferred all the money for the said trades from Noticee No.2's mother's account and vice versa. Example on 10/02/2021, an amount of Rs.16,388/- was received from the trading account of Noticee No.1 with Zerodha, the same amount was transferred to the account of Noticee No.2's mother's bank account (A/c no. 1812009281 of Kotak Bank) on the same day. Similarly, on 24/06/2022 and 25/06/2022, an amounts of Rs.8,82,000/- and Rs.2,75,940.28 respectively, received in the trading account of Noticee No.1 from Zerodha, these were transferred to Noticee No.2's mother's bank account on the same days. Further, there were instances where money received from Noticee No.2's mother's bank account was subsequently transferred to the trading account of Noticee No.1 with Zerodha. For instance, on 04/04/2021 and 16/04/2021, an amount of Rs.70,000 and Rs.90,000, respectively, received from Noticee No.2's mother was subsequently transferred to Zerodha. I note that the Noticee No.2 has not denied any of the above-mentioned transactions.

10.7.4. Next, during the statement recording of Noticee No.1, had confirmed that the funds in his bank account pertained to Noticee No.2 who had earlier

transferred Rs.5 lakhs in March 2021 to his ICICI bank account. Thereafter, the same amount was transferred to Noticee No.1's HDFC bank account in order to be transferred to Zerodha. Further, he also stated that the said money was transferred on the advice of Noticee No.2. The Noticees have not denied these transactions either.

10.7.5. Further, it was also observed that during the statement recording Noticee No.1 stated that the access to HDFC Bank account (linked to Zerodha trading account of Noticee No.1) was limited to him only. Then, Noticee No.1 also confirmed that with regard to his HDFC Bank account and his broking account with Zerodha, he always received the One Time Password (OTP) on his mobile for giving effect to fund transfers. He also stated that he did not share his login ID and password for the HDFC Bank net banking with anybody and the OTP for fund transfers from his bank account was received on his mobile, so, he was the one who was transferring funds to his stock broker Zerodha and to Noticee No.2's mother's account.

12. In this regard, I also refer and rely on the following observations made by the Hon'ble SAT in the matter of **V. Natarajan vs. SEBI** (Order dated June 29, 2011 in Appeal No. 104 of 2011):

"... we are satisfied that the provisions of Regulations 3 and 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 were violated. These regulations, among others, prohibit any person from employing 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 an exchange. They also prohibit persons from engaging 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 that are listed on stock exchanges."

13. In the matter of **Kanhaiyalal Baldevbhai Patel** (*supra*) the Hon'ble Supreme Court held, *"It should be noted that the provisions of Regulations 3 (a), (b), (c), (d) and 4(1) are couched in general terms to cover diverse situations and possibilities. Once a conclusion, that fraud has been committed while dealing in securities, is arrived at, all these provisions get attracted..."*
14. The above said facts clearly demonstrates that Noticee No.1 transferred the funds received from Noticee No.2 to his broker Zerodha to enable Noticee No.2 to trade in the scrips/contracts in which the Big Client traded and he had given his consent to Noticee No.2 to trade in the securities market using his trading account in Zerodha. Therefore, Noticee No.1 and Noticee No.2 together in collusion took advantage of the orders/trades of Big Client by front running the orders/trades of Big Client and earned huge profits. Further, I also note that the Noticees have accepted/admitted all the transactions and allegations made against them.
15. For the foregoing reasons, I find that Noticee No.2, 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.1 based on impending orders of the Big client. Noticee No.1 aided and abetted Noticee No.2 as Noticee No.1 did not raise any objection to use of his 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.

B. If the answer to the above issue is in affirmative, what directions, if any, including the amount of monetary penalty, is required to be imposed on the Noticees?

16. In this regard, I note that as per the SCN, a total profit of Rs.34,26,342.95 was made by Noticee No.1 and Noticee No.2, by engaging in front running the details of the same are tabulated below:

Summary of unlawful gains made through front running activities

Period	Name of the FR	Trading Account operated by	Segment	Total Unlawful gains (Rs.)
01.11.2020 to 30.09.2021	Mr. Mandhar Ulhas Bhatkar (Noticee No.1)	Mr. Vikrant Bhimrao Kadam (Noticee No.2)	Cash Market	17,96,713.15
			Equity Derivative Segment	16,29,629.80
			Total	34,26,342.95

17. I note that, the charges against the Noticees are established above. As observed in the previous parts of this order, Noticee No.2, while having access and possession of information about impending trades of the Big clients, executed trades in the cash market segment and equity derivative segment from Noticee No.1's account based on impending orders of the Big clients. Accordingly, I find that appropriate directions need to be issued to Noticee No.2 for the violations. Further, I find that both Noticee No.1 & 2 are liable to be imposed with appropriate penalty under Section 15HA of the SEBI Act.

18. It would be, therefore, relevant to place hereunder the extracts of the SEBI Act for facility of reference:

15 HA - Penalty for fraudulent and unfair trade practices.

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

19. Upon a consideration of the aforementioned penalty provision, I find that Section 15 HA has been invoked for fraudulent and unfair trade practices indulged by Noticees. It has already been brought out that the fraudulent and unfair trade practice in this case is the front running carried out by Noticee No.2, through the account of Noticee No.1, who

permitted Noticee No.2 to use his trading and aided n abetted by providing the OTP received, transferring money to his trading account for placing Front Running orders, transferring money received from front running to Noticee No.2, etc. The previous parts of this order contain findings in unequivocal terms demonstrating front-running by the Noticees. I, therefore, find that penalty under Section 15 HA is clearly attracted.

20. I note that 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. Therefore, 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*

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.”

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

22. As regards the appropriate direction under the SEBI Act, I note that the Black's Law Dictionary defines 'disgorgement' as, "*disgorgement is the act of giving up something, such as illegally obtained profits, on demand or by legal compulsion.*" Regarding the nature of the direction of disgorgement, Hon'ble Securities Appellate Tribunal (SAT) has held in **Dushyant N. Dalal v/s SEBI 2010 SCC Online SAT 328**, "*disgorgement is not a penal action but only an equitable remedy*".

23. With regard to the liability to disgorge the unlawful gains when the same has changed hands in due course of time, the order of the Hon'ble SAT in **Gagan Rastogi and Anr vs. SEBI** (Appeal No. 91 of 2015 decided on 12.07.2019) needs to be referred wherein it was held as under,

“18. ... equitable remedy demands that disgorgement has to be made from the point of unjust enrichment or where the chickens come to roost. However, we cannot accept the arguments that no such unjust enrichment has been made by the appellants nor disgorgement has to be made from where the unjust enrichment rests finally. If one entity who has unjustly enriched knowingly transferring those proceeds further to some other entity does not prevent the authorities from disgorging the same from the original beneficiary of unjust enrichment. The choice is clearly that of the authority to pursue and disgorge an illegal gain from any point of a chain, if such a chain exists.”

24. Keeping in view the above legal provisions and the precedents surrounding the concept of disgorgement and in the instant matter, since Noticee No. 2 through Noticee No.1's account engaged in Front Running trades during the IP i.e. for 11 months, I note that both Noticee No.1 and 2 are liable to disgorge the wrongful gains which were made by front running the trades of Big Client.

DIRECTIONS

25. 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.34,26,342.95 (Rupees Thirty Four Lakhs Twenty Six Thousand Three Hundred and Forty Two and Ninety Five Paise) 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. Banks with whom the Noticee No.1, Noticee No.2 and Noticee No. 2's mother's [Mrs. Kanchan Bhimrao Kadam, Kotak Mahindra Bank Account No. 1812009281 (PAN:AZFPK2089P)] accounts lie, are directed that no debit shall be made, without permission of SEBI, except for the purposes of compliance of this order;
- c. 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 Six (6) months, from the date of this order;
- d. Further, during the period of restraint, the existing holding of securities including the holding of units of mutual funds of the Noticee No.1, Noticee No. 2 and Noticee No.2's mother, if any, shall remain frozen;
- e. Furthermore, Noticee Nos. 1 & 2 are hereby imposed with penalty of **Rs.5,00,000/- (Rupees Five Lakhs Only)**, each, under Section 15HA of the SEBI Act, 1992.
- f. The Noticees 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.
- g. 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-6, 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:

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	

- h. The obligation of the Noticee, 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 in the F&O segment of the recognised stock exchange(s) is/are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.

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

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

Date: January 28, 2025

Place: Mumbai

G RAMAR
QUASI-JUDICIAL AUTHORITY
SECURITIES AND EXCHANGE BOARD OF INDIA

Order in the matter of Front - Running by Mr. Mandar Ulhas Bhatkar