

National Stock Exchange of India

Circular

Department: Investigation	
Download Ref No: NSE/INVG/68264	Date: June 02, 2025
Circular Ref.No: 480/2025	

To All NSE Members,

Sub: SEBI order in the matter of trading activities of M/s MBM Financial Services, suspected to be front-running the trades of M/s Alpna Enterprises

This is in respect of SEBI order no QJA/MN/IVD/ID13/31448/2025-26 dated May 30, 2025, wherein SEBI has directed 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 the following period, from the date of this order:

PAN	Name	Period of Debarment
ABBFM2497H	M/s MBM Financial Services having Mr. Chetan Mehta and Ms. Mayuri Mehta as its partners	Two Years
AALPM8957B	Mr. Chetan Mehta	Two Years
AAAPB3384B	Mr. Mehernosh D. Bhagat	One Year

SEBI vide above order has directed that, if the above mentioned entities have any open position in any exchange traded derivative contracts, as on the date of the 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/sebi_data/attachdocs/may-2025/ibl_interim_order.pdf).

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

National Stock Exchange of India

<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

**For and on behalf of
National Stock Exchange of India Limited**

**Sandesh Sawant
Senior Manager**

**Annexure: SEBI order in the matter of trading activities of M/s MBM Financial Services,
suspected to be front-running the trades of M/s Alpna Enterprises**

SECURITIES AND EXCHANGE BOARD OF INDIA**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 5 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
1.	M/s MBM Financial Services having Mr. Chetan Mehta and Ms. Mayuri Mehta as its partners	ABBFM2497H
2.	Mr. Chetan Mehta	AALPM8957B
3.	Mr. Mehernosh D. Bhagat	AAAPB3384B

In the matter of trading activities of M/s MBM Financial Services, suspected to be front-running the trades of M/s Alpna Enterprises

(The aforesaid entities are referred to by their corresponding names/numbers and collectively referred to as “Noticees”)

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as ‘**SEBI**’) conducted an investigation into the trading activities of M/s MBM Financial Services (PAN: ABBFM2497H) (hereinafter referred to as ‘**MBM Financial**’) to ascertain whether MBM Financial had front-run the trades of M/s Alpna Enterprises (PAN: AAMFA0654N) (hereinafter referred to as ‘**Alpna**’/‘**Big Client**’) during the period December 01, 2021 to June 30, 2022 (Investigation Period, hereinafter referred to as ‘**IP**’), which is in violation of provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as ‘**PFUTP Regulations**’), read with the SEBI Act, 1992. However, wherever deemed necessary, reference has been made to events outside the IP as well.

SHOW CAUSE NOTICE

2. The allegations relates to the instances of front running by MBM Financial in connection with trades executed by Alpna during the period from December 1, 2021 to June 30, 2022. It is alleged that Alpna, a high-volume client trading through Antique Stock Broking Ltd. (hereinafter referred to as '**Antique**'), was placing several substantial orders. These substantial orders were shared with Mr. Mehernosh Bhagat who carried out several transactions in equity derivatives (hereinafter referred to interchangeably as contracts/shares). It is alleged that in 17 distinct instances, MBM Financial through its partner Mr. Chetan Mehta executed trades in the same securities moments before Alpna's large orders, thereby profiting from the resulting market impact. It is alleged that these trades generated ₹ 48.11 lakh in unlawful profits for MBM Financial, accounting for around 66% of its total profits during the relevant period. In 13 of the 17 instances, trade matching with Alpna's orders ranged between 90% and 100%.
3. It is further alleged that analysis of call detail records (CDRs), show frequent and lengthy telephonic conversations between Mr. Mehernosh Bhagat, the dealer at Antique responsible for executing Alpna's trades, and Mr. Chetan Mehta of MBM Financial. These calls occurred immediately before or during the timeframe when MBM Financial's trades were placed. It is alleged that the timing and sequence of these calls support the coordinated communication and sharing of confidential substantial order details, facilitating MBM Financial to place order for execution of trades ahead of Alpna and square off positions post-execution to realise gains based on non-public information of substantial orders in 17 instances.
4. It is alleged that the conduct of the Noticees forms part of a larger scheme to misuse material non-public information, in violation of Sections 12A(a), (b), (c), and (e) of the SEBI Act, 1992 and Regulations 3(a) to (d), 4(1), and 4(2)(q) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003.

SERVICE OF SCN, REPLIES AND HEARING

5. The Show Cause Notice dated October 14, 2024 (“SCN”) along with annexures was served on the Noticees through speed post acknowledgment due (SPAD) and email. It was duly delivered to all the Noticees. Thereafter, vide email dated October 24, 2024, Noticee No.1 sought additional documents viz. copy of Investigation Report, Legible copy of Annexure 4 of the SCN, Complete Order logs and trade logs of the Big Client during the IP, Noticee’s call logs and during the IP. The said Noticee was provided with the requested documents except the complete order logs and trade logs of the Big Client as the relevant portion of the same was already provided in the form of Annexure-4 of the SCN.
6. Thereafter, vide email dated November 18, 2024, Noticee No.3 sought inspection of documents referred to and relied upon in the SCN and their copies. The documents requested by the said Noticee included, Trade logs of MBM Financial and Alpna, call recordings provided by Antique, Statement on examination on oath of Mr. Arun Nahar carried out by SEBI on January 29, 2024, Bank Statements and Investigation Report. The Noticee was provided with all the documents requested except the call recordings since they do not correspond to the alleged 17 instances where front running was alleged hence deemed not relevant. Since, all the relevant and requested documents were duly provided to the said Noticee and SEBI was not in possession of any relevant document in original, the request for separate inspection of documents was not acceded to.
7. The aforesaid Noticees, alongwith the request for certain documents, as stated above, also sought additional time to submit their replies of the SCN, which was duly granted. Thereafter, the Noticees submitted their written replies dated December 02, 2024 (Noticee No.1 and 2) and December 09, 2024 (Noticee No.3). The submissions made by the Noticees are reproduced as under:

Contentions of Noticee No.1, MBM Financial and Noticee No.2, Mr. Chetan Mehta

Preliminary Contention:

- a) There is an inordinate, unreasonable, and unjustified delay of 2.5 years in the issuance of the SCN. The alleged transactions pertain to the period from December 01, 2021 to June 30, 2022, and such a prolonged delay has caused grave prejudice to the Noticees.

Submissions on Merits:

- b) The transactions executed in the account of Noticee No.1 are delivery-based, intra-day, and of jobbing nature, and were carried out in both the equity and F&O segments of the Exchange through Noticee No.2. Noticee No.2 identifies stocks based on screen-observed volatility and scrip price movement. Based on his own assessment, experience, and market observations, trades in large volumes were executed in Noticee No.1's account for small margins. The turnover of Noticee No. 1 in the equity and F&O segments has historically been significant even before and during the investigation period, as detailed below:

Year	Equity turnover (Rs.)	F & O Turnover (Rs.)
2019-20	6,44,74,20,479.35	94,97,51,91,622.10
2020-21	4,54,95,94,760.22	30,11,97,76,116.60
2021-22	5,16,85,76,712.26	46,60,57,56,697.85
2022-23	3,36,80,11,851.08	32,79,25,99,152.00

- c) On the 17 dates on which front running is alleged, the turnover of Noticee No. 1 was also substantial, as reflected in both equity and F&O trades as mentioned in the following table:

Date	Equity turnover (Rs.)	F&O turnover (Rs.)
22-12-2021	3,65,47,523.80	12,30,02,7013.60
30-12-2021	4,18,88,091.00	68,63,47,646.55
25-01-2022	65,85,369.65	37,97,12,340.00
27-01-2022	84,96,000.00	64,27,27,292.75
24-02-2022	20,16,342.55	87,55,31,730.00
30-03-2022	11,26,078.40	35,66,60,080.00
31-03-2022	1,34,34,000.00	34,93,39,382.50
28-04-2022	28,58,369.80	60,23,78,225.00
24-05-2022	1,03,53,412.15	29,94,18,130.00
26-05-2022	NIL	47,44,58,345.25
13-06-2022	11,81,349.00	41,26,55,785.00

Date	Equity turnover (Rs.)	F&O turnover (Rs.)
30-06-2022	5,74,700.85	37,67,38,257.50
01-11-2022	30,89,316.75	11,12,58,596.75

- d) By email dated 24.10.2024, the Noticees requested the entire trade log of the Big Client from SEBI. However, the same was not provided. The entire trade logs of Big Client is required in order to effectively reply as it goes to the root of the matter to understand the frequency of alleged front running trades.
- e) The SCN identifies 17 instances of alleged front running based on a Sell–Sell–Buy (SSB) pattern. However, SEBI has only considered the first leg, without examining the second (sell order by Big Client) and third leg (buy order by the front runner).
- f) For establishing the SSB front running pattern, the full three-leg sequence is essential. The Noticees argue that without examining all three legs, the allegation is incomplete.
- g) In 15 out of 17 instances, the buy orders of the Noticees preceded the sell orders of the Big Client. Therefore, the suggested SSB pattern is not established.
- h) SEBI has wrongly assessed the substantiality of the Big Client’s trades by comparing them only to Noticee No. 1’s trades instead of market-wide volumes. Such a narrow comparison is misleading and cannot justify that the Big Client’s trades were substantial enough to impact the market.
- i) The Noticees submit that they had no knowledge that Noticee No.3 – Mr. Mehernosh Bhagat was affiliated to Big Client. Even impugned SCN imparts no knowledge to the Noticees that the Big Client was placing orders through Noticee No. 3. The only averment made in the SCN is that Noticee no.2 placed the order for Noticee No. 1 based on the information received from Noticee No.3 about impending orders of the Big Client. Hence, charging Noticees for alleged Front Running is devoid of merits and bad in the eyes of law.
- j) Nowhere in the SCN it is averred that Noticee Nos.1 and 2 were aware that Noticee No. 3 was executing orders for the Big Client. Although the SCN relies on the statement of Noticee No.2, there is no admission that he received any information from Noticee No.3 about impending orders. Therefore, mere

phone calls without corroborative evidence cannot establish communication of non-public information.

k) The trades in question do not meet the essential elements of front running as per Regulation 4(2)(q) of the PFUTP Regulations and SEBI's Circular dated 25th May 2012. For a finding of front running, the following five conditions must be cumulatively satisfied:

- Possession of information regarding substantial impending transactions;
- The information must be non-public;
- An order must be placed by the person possessing such information;
- Such order must be ahead of the substantial client transaction; and
- The trade must be motivated by an expectation of price impact when the information becomes public.

The Noticees argue that these criteria are not met in the present case.

l) For a front running charge to stand, one of the essential elements is that the impending transactions must be “*substantial*”. However, the term “*substantial*” is not defined anywhere under SEBI Act, Rules, or Regulations. One acceptable method of determining substantiality is through *impact analysis*, which assesses the variation in the price of the security after the client's order is placed. SEBI, however, has neither provided such analysis nor adopted this approach. Instead, the SCN assesses substantiality by comparing the Big Client's order size with that of Noticee No.1, which is irrelevant and is incorrect.

m) The impact of similar orders on different scrips varies significantly due to factors like liquidity, volatility, availability of derivatives, market float size, and order type (limit vs. market). Yet, SEBI has not conducted or shown any such analysis in the SCN to establish whether the Big Client's orders were substantial. In the absence of this, the charge of substantiality is unsubstantiated and without basis.

n) The Noticees point out that in several cases cited in paras 15.1 and 15.2 of the SCN, the buy orders of Noticee No.1 were placed before the Big Client's sell orders, thus reversing the supposed Sell–Sell–Buy (SSB) pattern. The pattern that emerges is, instead, Sell–Buy–Sell (SBS), which does not match the standard front running allegation framework.

- o) In fact, in 15 out of 17 instances mentioned in the SCN, the Noticees' buy trades preceded the Big Client's sell orders, therefore, the actual sequence is SBS, not SSB.
- p) The Noticees also contend that under the PFUTP Regulations, it is the order placement, not the trade execution that is critical for establishing any charge. However, SEBI's SCN relies inconsistently on trade time rather than order placement time. This inconsistency renders the findings arbitrary, incorrect, and legally unsustainable.
- q) Therefore, to sustain a charge under Regulation 4(2)(q) of the PFUTP Regulations, SEBI must consider the order placement timing of both the Noticees and the Big Client, not merely the trade timing. The actual trade execution time is dependent on market dynamics and cannot form the basis for alleging misuse of non-public information.
- r) The Noticees argue that trades, being outcomes of the matching mechanism based on price-time priority, cannot be front run. It is only orders that can be front run.
- s) To further support their argument, the Noticees analyzed the total traded volume and value of the relevant scrips on NSE vis-à-vis the Big Client's contribution, showing that in each instance, the Big Client's trades comprised only 1.59% to 9.38% of the total market volume. A sample of this data is reproduced below:

Trade date	SCRIP	Total traded quantity on NSE	Quantity of Big Client	Percentage of Big client trades visavis total trades on NSE	Total traded value in the scrip in NSE	Total traded value of trade of Big Client (Rs.)	Percentage of Big client trades visa-vis total trades on NSE
30.12.2021	Sun Pharma	6699000	628600	9.38	5587998000	525498435	9.40
30.12.2021	Bharati	18101828	620494	3.43	12315363000	422286527	3.43
30.12.2021	Tata Steel	15286825	450075	2.94	16932538000	494042780	2.92
25.01.2022	Sunpharma	16132200	628600	3.90	12961788000	504823585	3.89
27.01.2022	Bharti	17880900	621300	3.47	12637857000	437723140	3.46
24.02.2022	HAL	1347100	51300	3.81	1752638000	64957240	3.71

Trade date	SCRIP	Total traded quantity on NSE	Quantity of Big Client	Percentage of Big client trades visavis total trades on NSE	Total traded value in the scrip in NSE	Total traded value of trade of Big Client (Rs.)	Percentage of Big client trades visa-vis total trades on NSE
24.02.2022	SBI	40554000	451500	1.11	19481649000	216344700	1.11
24.02.2022	Sunpharma	4320400	628600	1.46	3566821000	518842940	14.55
24.02.2022	Wipro	14017600	222400	1.59	7625944000	121746800	1.60
30.03.2022	Sunpharma	8050700	628600	7.81	7353782000	571902170	7.78
3 1.03.2022	Bharti	12107750	621300	5.13	9045587000	461872758	5.11
28.04.2022	Bharti	12828800	592800	4.62	9589282000	443260263	4.62
24.05.2022	Jindal Steel	21851250	455000	2.08	8602390000	178207875	2.07
24.05.2024	Tata Steel	16188675	300475	1.86	16500700000	304603917	1.85
26.05.2022	Bharti	12044100	621300	5.16	8231 160000	420998248	5.11
13.06.2022	Grasim	1520475	38000	2.50	2009483000	49430068	2.46
30.06.2022	Bharti	11969050	621300	5.19	8169746000	422755463	5.17

- t) From above table, it is evident that Big Client volume on NSE is within the range of 1.59% to 9.38% which is not *substantial*.
- u) Finally, the Noticees contend that SEBI has not produced the actual content of the phone calls between Noticee No.2 and Noticee No.3. In the absence of any recorded conversations or transcripts, it cannot be assumed that Noticee No.2 received details of impending orders or acted upon any such information while trading in the account of Noticee No.1.

Submissions of Noticee No. 3 - Mr. Mehernosh Bhagat

- a) Mr. Arun Nahar was an active and high-risk trader operating in both the cash and F&O segments. As per prevailing market practices, instructions were generally provided to execute trades using professional judgment, including analysis of market depth, buyer/seller interest, and prevailing pricing. A range was usually specified within which the trades were to be executed.
- b) During square-off, particularly in the expiry week of the F&O segment, trades were required to be executed with care to avoid price disruption. Given the

volatility in such periods, large trades could result in a collapse of prices. To maintain pricing equilibrium and avoid market disruption, it was common to negotiate trades off-market with counterparties when required.

- c) Mr. Mehernosh Bhagat and Mr. Chetan Mehta had known each other for several years, having earlier interacted in the BSE trading ring. Even assuming, without conceding, that any discussion of trades took place with Mr. Chetan Mehta, the same would have been for identifying suitable counterparties for large trades, with the objective of avoiding disruptive price movements and preserving market integrity.
- d) The allegation of a premeditated scheme does not align with the pattern of alleged communication, which occurred only on specific days. Moreover, in 15 out of the 17 instances cited, the trades pertained to rollover activity, and in such cases, both legs of the rollover (the current expiry and the next expiry) were executed simultaneously to carry forward the position in accordance with standard market practice.
- e) The trades referred to in paragraph 15.3 of the SCN were executed for the purpose of rollover, except for two which were closeouts. These trades were executed at slightly lower than market prices due to the availability of better spreads compared to the rollover window. Given the presence of a large buyer in the system, the transaction was completed without impacting prices adversely. Had the trades been entered first on the screen, market prices may have fallen, defeating the rollover benefit and causing client disadvantage. The trading actions of MBM Financial in such instances were independent, and no knowledge of the same was held by Noticee No. 3.
- f) The SCN also refers to certain payments received by the spouse of Noticee No. 3. These details were shared via SEBI's email dated 22 November 2024. The payments in question began on 11 October 2021 and continued until 20 March 2023. The alleged trades in question occurred between 30 December 2021 and 30 June 2022. Therefore, any attempt to link the said payments to the alleged trades lacks evidentiary support. These payments were duly disclosed in the income tax returns of the recipient and cannot reasonably be connected to the transactions under investigation.

- g) The livelihood of Noticee No. 3 depends entirely on employment in a broking firm, which has been the sole area of professional expertise and engagement.
 - h) No case of disgorgement arises against Noticee No. 3. It is undisputed that there were no trades or profits generated by Noticee No. 3 in the transactions under investigation. The decision of the Hon'ble Securities and Appellate Tribunal ("SAT") in *Mahavirsingh Chauhan*, and the SEBI order in *Generic Engineering and Constructions*, makes it clear that only those who have received unlawful gains are liable to disgorge the same.
 - i) The applicable evidentiary standard of preponderance of probabilities in any case cannot be so diluted as to permit findings of liability based on speculation or conjecture. The Hon'ble SAT has consistently held that even in civil proceedings, the presence of "*reasonably strong evidence*" is a prerequisite for establishing liability. Any departure from this standard would undermine the fairness of regulatory proceedings and cause serious harm to individuals and their professional standing.
8. Thereafter, in accordance with the principles of natural justice, the Noticees were granted an opportunity of personal hearing. In this connection, SEBI vide Hearing Notice ('HN') dated January 02, 2025 informed the Noticees that personal hearing is scheduled on January 20, 2025. The HN was served to the Noticees through email dated January 02, 2025. However, the Noticees sought adjournment of the same and accordingly the same was rescheduled to January 22, 2025. On the said dates, the Authorised Representatives ('ARs') of the Noticees appeared before the erstwhile quasi-judicial authority and reiterated the written submissions submitted by them. Further, additional time was requested by the ARs of Noticee No.1 and 2 during the personal hearing to submit supplementary submissions, which was accepted. Subsequently, Noticee No.1 and 2 submitted supplementary written submissions dated January 24, 2025. Noticee No.3 vide email dated January 27, 2025 submitted additional documents viz. Income Tax Returns of his wife Mrs.Parizad Bhagat for FY 2022-23 and FY 2023-24.

9. Upon superannuation of the erstwhile quasi-judicial authority ('QJA'), undersigned was appointed as QJA to adjudicate the present matter. Accordingly, post-conclusion of the personal hearing of the Noticees on January 22, 2025, another opportunity of personal hearing was provided to the Noticees to appear before the undersigned. Accordingly, Noticee No.1 and 2 through their AR appeared on April 23, 2025 and Noticee No.3 through his AR appeared before the undersigned on May 26, 2025 and reiterated the written submissions previously submitted by them. Thereafter, Noticee No.1 and 2 submitted additional reply dated April 25, 2025.
10. From the above, I note that the SCN and HN 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.

ISSUES FOR CONSIDERATION

11. On a perusal of the observations and allegations brought out in the SCN, the replies filed by the Noticees, oral/written submissions and other material available on record, the following issues arise for consideration in the present proceedings:
 - I. ***Whether Noticee No. 3 communicated material non-public information regarding a substantial pending order for execution to Noticee No. 1?***
 - II. ***Whether Noticee No. 2, while trading on behalf of Noticee No. 1, exploited the said material non-public information by indulging in front running trades and thereby made unlawful gains?***
 - III. ***Whether the Noticees have violated the provisions as alleged in the SCN, and if so, whether any directions and/or imposition of penalty are warranted in the facts and circumstances of the case?***
 - IV. ***If the above issues are determined in the affirmative what directions, if any, including the amount of monetary penalty, is required to be imposed on the Noticee(s)?***

12. Before proceeding to examine the instant matter on merits, I shall address the contention on delay in issuing the SCN as raised by Noticee No.1 and 2. In this regard, the said Noticees have contended that there is an inordinate, delay of 2.5 years in issuing the SCN, since the alleged transactions are of the period of December 01, 2021 to June 31, 2022 which has caused great prejudice to the Noticee. In this regard, the said Noticees have also sought to rely upon several orders of Hon'ble SAT to establish that the SCN is vitiated with delay and therefore liable to set aside. The relevant extracts of the orders of ***Libord Finance Ltd. vs. SEBI*** (2008 86 SCL 72 SAT), ***Ashlesh Gunvantbhai Shah vs. SEBI*** (Appeal No.169 of 2019, dated 31.01.2020) and ***Rakesh Kathotia vs. SEBI*** (Appeal No.7 of 2016, dated 27.05.2019) were cited to submit that in absence of period of limitation, the authority is required to exercise its power within a reasonable time.
13. In this regard, it is pertinent to mention that as per Section 11C of SEBI Act, SEBI can initiate investigation at any point of time, for any period of alleged violation. Further, I note that the investigation relating to instant matter on the role played by the Noticees, the trades executed by them and the data regarding their fund transactions and call data were obtained and examined which is a complex and time-consuming process. I also note that in order to obtain the relevant data, SEBI had been in continuous correspondence with various authorities and collecting the relevant data from outside authorities to conduct the investigation effectively. For the said purpose, documents such as Call Data Records (hereinafter referred to as “**CDR**”), Trading Data from exchanges, Bank Statements from the respective banks were obtained and examined. Thereafter, with relevant documentary evidence, the points of action were decided upon. Accordingly, I note that after following due process for collecting and analyzing the data, SEBI has decided to initiate the instant proceedings in respect of the Noticees qua the violations alleged against them. I therefore, note that reasonable amount of time was taken in initiation of proceedings against the Noticees and hence the period of 2.5 years cannot be considered as inordinate, unreasonable and unjustified delay.

14. Further, attention is also drawn to the judgment of Hon'ble Supreme Court in *Adjudicating Officer, Securities and Exchange Board of India vs. Bhavesh Pabari* (2019) SCC Online SC 294 wherein it was held that *'There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc.* (Emphasis Supplied).
15. Accordingly, it is important to consider the facts and circumstances in the instant case. In this regard, I note that the process of fact-finding as already explained was complex and the investigating authority had to rely on third party sources to obtain evidences/documents. It is also pertinent to mention that the investigation with regard to the violation of PFUTP Regulations is an exhaustive and time-consuming process, which require detailed analysis of the case facts.
16. With respect to the judgments relied upon by the Noticee No.1 and 2 for the instant contention, upon perusal of the same it is observed that in those cases either the appellant proved their inability to properly defend themselves against the allegations due to delay or the delay was proved unjustified or had rendered the proceedings infructuous which became cornerstone for the Hon'ble Tribunal while deciding the issue. The Noticee, in the instant matter, has failed to prove the same.
17. In view of the above, upon considering the facts and circumstances, I find that the contention of the said Noticees is without any merit. Further, the Noticees have failed to demonstrate how they have been prejudiced. Hence, the contention of delay in issuing the SCN is devoid of any merit and cannot be accepted.
18. Further, Noticee No. 1 and 2 have contended that they have not been provided with order and trade logs of Alpna. In this regard, it was submitted that the same was needed as it goes to the root of the matter to understand the frequency of

alleged front running trades. It was contended that in absence of the same no inference can be drawn against Noticee No.1's trades and it is in gross violation of natural justice.

19. I note that the relevant data concerning the front running instances executed from the trading account of Noticee No.1 has been provided to the said Noticees. Further, complete order log and trade logs of Noticee No.1 including those executed on the F&O segment have been provided to them. However, since trade logs of Alpna may disclose confidential information relating to their trading strategy, the request for providing trade log of the Alpna was not acceded to. I note that relevant trading details of Alpna were provided to the Noticees alongwith the SCN. The details involved forms the basis of the allegation made against the Noticees. The Noticees have not denied receiving the same nor questioned the legitimacy of the data. Accordingly, I note that the submission that the above led to violation of natural justice is devoid of merit and cannot be accepted.

20. Now, I proceed to deal with the first two issues together.

I. Whether Noticee No. 3 communicated material non-public information regarding a substantial pending order for execution to Noticee No. 1?

II. Whether Noticee No. 2, while trading on behalf of Noticee No. 1, exploited the said material non-public information by indulging in front running trades and thereby made unlawful gains?

21. Mr. Mehernosh Bhagat stated that Mr. Arun Nahar would usually instruct him to execute an order using his skill and would give him a range in which his trades executed. As regards the orders placed by Mr. Mehernosh Bhagat in various scrips on 17 occasions are mentioned in the Table 8 of the SCN, which is mentioned in this order subsequently. None of the Noticees have disputed the existence of such orders. Therefore, there is no dispute on the existence of the impending orders on 17 occasions.

22. The information regarding the impending orders are confidential information and the same is therefore, material non-public information. Hon'ble Supreme Court in its judgement observed that the information of possible trades that the company is going to undertake is the confidential information of the company concerned, which it has absolute liberty to deal with. The relevant para of the following judgement of the Hon'ble Supreme court in **SEBI v. Kanaiyalal Baldevbhai Patel** [(2017) 15 SCC 1] is relevant.

"42.Confidential information acquired or compiled by a corporation in the course and conduct of its business is a species of property to which the corporation has the exclusive right and benefit, and which a court of equity will protect through the injunctive process or other appropriate remedy. The information of possible trades that the company is going to undertake is the confidential information of the company concerned, which it has absolute liberty to deal with. Therefore, a person conveying confidential information to another person (tippee) breaches his duty prescribed by law and if the recipient of such information knows of the breach and trades, and there is an inducement to bring about an inequitable result, then the recipient tippee may be said to have committed the fraud."

23. The Noticee No. 1 and 2 contented that SEBI has wrongly considered Noticee No.1's trades vis-à-vis Big Client to arrive at conclusion that the Big Client's orders were substantial instead of comparing the Big Client's trades with the market volume of the entire trades across the market vis-a-vis Big Client to arrive at conclusion that Big Client's trades were substantial to impact the market. SEBI has compared only Big Client's trades with the Noticee's trades and concluded that Big Client's trades were substantial. The said Noticees have contended that the trades executed by the Big Client, Alpna Enterprises, were not substantial, as they accounted for only 1.59% to 9.38% of the total daily traded volume in the respective contracts. The foundation of the argument is these are low percentages and insufficient to establish that the quantity of the Big Client was capable of impacting market prices, and that SEBI has incorrectly arrived at the test of substantiality by comparing Alpna's trades only with those of MBM Financial rather than the entire market.
24. This contention, however, is not consistent with legal and factual basis. The fundamental reason why no numerical threshold is mentioned in the relevant provision of the PFUTP Regulations, is because the test of substantiality of order

in front running cases is not determined by comparison with market share in isolation, but by evaluating whether the client's trades were of such a nature that they could be reasonably expected to impact price discovery or create an opportunity for unlawful gain by a person in possession of that information. The test will be potential impact on the price. Comparative size with a traded volume could be one of the parameters, which again is dependent on the nature of the market whether it is liquid or illiquid or volatile or stable. I note that it is essential that such test is based on whether the front runner could exploit the information which has the potential to impact the price to his advantage, which inherently considers the timing, size, liquidity, volatility conditions, and market sensitivity of the trades in question.

25. In the present case, the facts clearly establish that Alpna's trades had immediate market impact, regardless of their percentage of market volume: For instance, In the JINDALSTEL trade of 24 May 2022, Alpna sold 4,55,000 contracts, causing a drop in price within seconds, from ₹ 393.05 to ₹ 391.50. MBM Financial had already positioned itself by selling at ₹ 395 and subsequently bought back at ₹ 391.58, realising a profit of ₹ 4.65 lakh within seconds.
26. In another instance on the same day, in the TATASTEEL, Alpna's sale of 3,00,475 contracts led to a price drop from ₹ 1,016.6 to ₹ 1,015, which was grabbed by MBM Financial by buying between ₹ 1,007.55 and ₹ 1,016, leading to matched trades for 40,800 shares and a profit of ₹ 3.68 lakhs within seconds.
27. These price change is highly significant in the derivatives segment, where profits on large volumes can be substantial even with smaller price changes.
28. Further, and most importantly, the MBM Financial itself treated the Alpna's trades as substantial as reflected in its own trading conduct. MBM Financial's average gross traded value ('GTV') during the IP was ₹ 50.40 lakh. However, in the 17 instances, its GTV escalated to ₹ 1,971.66 lakh on average which is a 39 times bigger than the average. This drastic increase in trading exposure was not observed outside these instances and happened only with the timing of

Alpna's large trades, clearly indicating that the MBM Financial deemed these Big Client trades significant enough by taking unusually high-risk positions.

29. Additionally, in 16 out of the 17 front running instances, MBM Financial's order size was also either close to or substantially proportionate to that of the Big Client. In some cases, MBM Financial matched 100% of the Big Client's traded quantity, demonstrating that MBM Financial saw the Big Client's order not only as predictable, but also as sufficient in magnitude to impact prices and justify taking huge positions with comfort, ultimately it's orders matching in the range of 90% –100% in 13 instances with the Big Client.
30. Therefore, I find that in this case Alpna's orders are substantial in terms of its potential as well as actual price impact and this has been considered also substantial as corroborated by the behaviour of the timing, and MBM Financial taking abnormally large positions, concentrated risk, and executing trades with high matching percentages. This pattern is sufficient to hold that MBM Financial considered these trades as substantial and exploitable thus negating the Noticees' claim to the contrary.
31. Therefore, the Noticees' attempt to rely on market volume percentages to disprove substantiality, in the facts and circumstances of the case, is misplaced. Accordingly, the contention is rejected.
32. In view of the above discussion, I find that Noticee No. 3 was in possession of material non-public information regarding substantial pending orders for execution in respect of the 17 instances alleged in the SCN.
33. Noticee No.3, Mr. Mehernosh Bhagat, being the dealer of Alpna, had access to confidential and material order information relating to the large trades being placed by the said client. It is further established that such information was not publicly available.

34. Antique vide e-mail dated January 18, 2024 provided details of the trades undertaken by Alpna during the IP. From the same it was observed that the mode of order placement was mentioned as ‘roll over trade’, ‘walkin’, ‘mobile call’, and ‘telephone’ in 188, 72, 69, and 7 instances, respectively. As regards evidence of order placement, Antique provided the call recording for 7 instances wherein the mode of order placement was mentioned as ‘telephone’. However, evidence of order placement wherein mode of order placement was mentioned as ‘roll over trade’, ‘walkin’, and ‘mobile call’ were not provided by Antique.

35. Placed below are details provided by Antique w.r.t. 17 trades of Alpna which were allegedly front run by MBM Financial:

Sr. No.	Date Of Trade	Scrip/ Contract	Bought Qty.	Sold Qty.	Time Of Order placement by Alpna	Mode of order placement along with relevant details	Details of person placing the order	Details of person receiving the order	Details of supporting records
1.	30/12/2021	SUNPHARMA21DECFUT	0	6,28,600	10:38:17	Roll Over Trade	Arun Nahar	Mehernosh Bhagat	Not Applicable
2.	30/12/2021	BHARTIARTL21DECFUT	1,886	6,20,494	13:33:59	Roll Over Trade	Arun Nahar	Mehernosh Bhagat	Not Applicable
3.	30/12/2021	TATASTEEL21DECFUT	0	4,50,075	14:27:44	Walkin	Arun Nahar	Mehernosh Bhagat	-
4.	25/01/2022	SUNPHARMA22JANFUT	0	6,28,600	14:38:52	Roll Over Trade	Arun Nahar	Mehernosh Bhagat	Not Applicable
5.	27/01/2022	BHARTIARTL22JANFUT	0	6,21,300	11:58:50	Roll Over Trade	Arun Nahar	Mehernosh Bhagat	Not Applicable
6.	24/02/2022	HAL22FEBFUT	0	51,300	12:51:32	Walkin	Arun Nahar	Mehernosh Bhagat	-
7.	24/02/2022	SBIN22FEBFUT	0	4,51,500	12:33:30	Walkin	Arun Nahar	Mehernosh Bhagat	-
8.	24/02/2022	SUNPHARMA22FEBFUT	0	6,28,600	10:58:44	Walkin	Arun Nahar	Mehernosh Bhagat	-
9.	24/02/2022	WIPRO22FEBFUT	0	2,22,400	10:24:57	Walkin	Arun Nahar	Mehernosh Bhagat	-
10.	30/03/2022	SUNPHARMA22MARFUT	0	6,28,600	12:14:59	Walkin	Arun Nahar	Mehernosh Bhagat	-
11.	31/03/2022	BHARTIARTL22MARFUT	0	6,21,300	10:41:05	Mobile Call	Arun Nahar	Mehernosh Bhagat	-
12.	28/04/2022	BHARTIARTL22APRFUT	0	5,92,800	10:33:00	Walkin	Arun Nahar	Mehernosh Bhagat	-
13.	24/05/2022	TATASTEEL22MAYFUT	0	3,00,475	12:20:25	Walkin	Arun Nahar	Mehernosh Bhagat	-

Sr. No.	Date Of Trade	Scrip/ Contract	Bought Qty.	Sold Qty.	Time Of Order placement by Alpna	Mode of order placement along with relevant details	Details of person placing the order	Details of person receiving the order	Details of supporting records
14.	24/05/2022	JINDALSTEL22MAYFUT	0	4,55,000	10:05:56	Walkin	Arun Nahar	Mehernosh Bhagat	-
15.	26/05/2022	BHARTIARTL22MAYFUT	0	6,21,300	12:45:48	Walkin	Arun Nahar	Mehernosh Bhagat	-
16.	13/06/2022	GRASIM22JUNFUT	0	38,000	12:29:39	Walkin	Arun Nahar	Mehernosh Bhagat	-
17.	30/06/2022	BHARTIARTL22JUNFUT	0	6,21,300	10:45:47	Walkin	Arun Nahar	Mehernosh Bhagat	-

36. Although, the mode of order placement by Mr. Arun Nahar was submitted as ‘walkin’ by Antique in 12 out of 17 instances. In this regard, analysis of details in respect of tower location contained in the CDR of Mr. Arun Nahar revealed that on the days when purported mode of order placement by him was submitted as ‘walkin’ by Antique, he was in Pune instead and did not travel to Mumbai where office of Antique is located.

37. Antique, when inquired about the above discrepancy, inter alia submitted as follows:

‘...Where we have been able to identify that the order was placed by telephone/ Mobile, we have stated the same accordingly and insofar the trades were concerned, we had presumed that they were walk in. However, If SEBI claims that Mr Nahar was not in Mumbai on certain days, it is possible that this trades were placed on the mobile phone of the dealer, In any event, since there was no dispute raised by the client and all the trades were confirmed at the relevant time, there was no further need to probe into the issue at our end.

We have tried our very best to provide accurate data to SEBI, however given the short timelines for response we may have inadvertently referred to certain trades as walkin instead of Mobile. We would therefore request you to consider all trades stated as Walk in to mean Walk in/Mobile...’.

38. In view of the above clarification provided by Antique and the details discovered from the CDR of Mr. Arun Nahar, it is clear that on the 11 days when the impending trades of the Big Client were allegedly front run by Noticee No.1, Noticee No.3 received the instructions to place the order over ‘mobile call’ from Mr. Arun Nahar. Analysis of CDRs further revealed mobile phone calls between

Mr. Arun Nahar and Mr. Mehernosh Bhagat on the days when trades of Alpna were front-run by MBM Financial, thereby confirming that the orders were placed by Mr. Arun Nahar over mobile phone calls with Mr. Mehernosh Bhagat. Had the orders were actually placed by Mr. Arun Nahar by visiting the office of Antique, Noticee No.3 would have not got the opportunity to communicate the information regarding the impending orders of Alpna.

39. Since Mr. Mehernosh Bhagat was the dealer of Alpna at Antique and received the orders from Mr. Arun Nahar over mobile phone but mentioned 'walkin' as mode of order placement further indicates purposive creation of records to conceal the detection of the impugned violation on the part of Noticee No.3.
40. Now I proceed to deal with the question of whether Noticee No.3 communicated material non-public information regarding a substantial pending order for execution to Noticee No.1 and whether Noticee No.2, while acting on behalf of Noticee No.1, exploited the said material non-public information by indulging in front running trades and thereby made unlawful gains.
41. In this regard, trading pattern observed over 17 separate instances is highly material. The Noticees further submitted that the SCN identifies only 11 dates and that if any systematic or premeditated scheme existed, it would have manifested over a broader time frame. This argument cannot stand as it disregards the significance of the evidence across those 17 instances. The selection of dates in the SCN is not arbitrary; it is based on a detailed (i) high matching percentages with Alpna's trades, (ii) pre-alignment of order and trade timing, and (iii) corresponding call data records. These 17 instances are not isolated aberrations, but carefully identified instances where the marks for a typical front running violations such as timing, communication, trade, alignment, and resulting benefit were present. Therefore, I note the identified 17 instances in the SCN are based on relevant criteria.
42. I note that in each case, a consistent sequence is present; beginning with phone calls between Mr. Mehernosh Bhagat and Mr. Chetan Mehta followed closely

by MBM Financial's trades that mirror Alpna's large Big Client's orders in both quantity and timing.

43. The 17 instances when the impending order details were alleged to be communicated are mentioned in the following table:

Sr. No.	Trade Date	Scrip/ Contract (Expiry)	FR Sell Qty.	BC Sell Qty.	FR Buy Qty.	Matching %	Order Start Time and Trade Start Time w.r.t these trades, separated by '/'			Wrongful Gains (₹)
							Sell Trades of MBM Financial	Sell Trades of Alpna	Buy Trades of MBM Financial	
1.	30-12-2021	SUNPHARMA (30-12-2021)	1,61,000	6,28,600	1,61,000	100	10:38:12 / 10:38:17	10:41:02 / 10:41:02	10:40:18 / 10:41:02	2,38,245
2.	30-12-2021	BHARTIARTL (30-12-2021)	1,50,880	6,20,494	1,50,880	98.75	13:29:14 / 13:29:14	13:33:59 / 13:33:59	13:31:59 / 13:33:59	2,10,855
3.	30-12-2021	TATASTEEL (30-12-2021)	18,700	4,50,075	18,700	90.91	15:07:14 / 15:07:14	14:27:44 / 14:27:44	15:08:00 / 15:08:25	1,30,241
4.	25-01-2022	SUNPHARMA (27-01-2022)	1,36,500	6,28,600	1,36,500	100	14:35:06 / 14:35:06	14:38:52 / 14:38:52	14:37:34 / 14:38:52	2,12,170
5.	27-01-2022	BHARTIARTL (27-01-2022)	1,42,500	6,21,300	1,42,500	100	11:56:11 / 11:56:23	11:58:50 / 11:58:50	11:58:01 / 11:58:50	2,98,728
6.	24-02-2022	SUNPHARMA (24-02-2022)	1,96,000	6,28,600	1,96,000	100	10:56:12 / 10:56:26	10:58:44 / 10:58:44	10:58:15 / 10:58:44	3,75,200
7	24-02-2022	WIPRO (24-02-2022)	40,000	2,22,400	40,000	60	11:57:27 / 11:57:27	10:24:57 / 10:24:57	11:58:16 / 11:58:21	74,720
8	24-02-2022	SBIN (24-02-2022)	1,50,000	4,51,500	1,50,000	0	12:31:06 / 12:31:06	12:33:30 / 12:33:30	12:33:46 / 12:33:59	44,100
9	24-02-2022	HAL (24-02-2022)	19,000	51,300	19,000	90	12:48:54 / 12:48:54	12:51:32 / 12:51:32	12:51:15 / 12:51:32	2,70,489
10.	30-03-2022	SUNPHARMA (31-03-2022)	1,96,000	6,28,600	1,96,000	99.29	12:12:13 / 12:12:13	12:14:59 / 12:14:59	12:14:06 / 12:14:59	2,84,480
11.	31-03-2022	BHARTIARTL (31-03-2022)	2,28,000	6,21,300	2,28,000	100	10:36:20 / 10:38:12	10:41:05 / 10:41:05	10:39:18 / 10:41:05	3,04,333
12.	28-04-2022	BHARTIARTL	2,28,000	5,92,800	2,28,000	100	10:27:12 / 10:27:12	10:33:00 / 10:33:00	10:31:17 / 10:33:00	3,99,855

Sr. No.	Trade Date	Scrip/ Contract (Expiry)	FR Sell Qty.	BC Sell Qty.	FR Buy Qty.	Matching %	Order Start Time and Trade Start Time w.r.t these trades, separated by ‘/’			Wrongful Gains (₹)
							Sell Trades of MBM Financial	Sell Trades of Alpna	Buy Trades of MBM Financial	
13.	24-05-2022	JINDALSTEL	2,00,000	4,55,000	2,00,000	87.5	10:03:16 / 10:03:16	10:05:56 / 10:05:56	10:05:05 / 10:05:56	4,65,875
14.	24-05-2022	TATASTEEL (26-05-2022)	42,500	3,00,475	42,500	96	12:17:47 / 12:17:47	12:20:25 / 12:20:25	12:19:22 / 12:20:25	3,68,921
15.	26-05-2022	BHARTIARTL (26-05-2022)	2,56,500	6,21,300	2,56,500	99.63	12:41:15 / 12:41:15	12:45:48 / 12:45:48	12:44:11 / 12:45:48	4,15,340
16.	13-06-2022	GRASIM (30-06-2022)	28,500	38,000	28,500	0	12:26:44 / 12:26:44	12:29:39 / 12:29:39	12:28:55 / 12:29:39	2,36,788
17.	30-06-2022	BHARTIARTL (30-06-2022)	2,56,500	6,21,300	2,56,500	99.63	10:38:17 / 10:38:17	10:45:37 / 10:45:37	10:44:49 / 10:45:37	4,81,033

44. As an illustrative example on the communication and trading and sequence on May 24, 2022 is examined. The relevant table as follows:

a. Scrip/ Contract: TATASTEEL – 24/05/2022 (FF, Expiry: 26/05/2022)

Sell Trades of M/s MBM Financial Services				
	Total Sell Qty	Avg Sell Price (₹)	Turnover (₹)	
	42,500	1,016.24	4,31,90,242.50	
	Sell Order Time (range)	Sell Order Price (₹)	Sell Trade Time (range)	Sell Trade Price (₹)
From	12:17:47	1,017.00	12:17:47	1,017.00
To	12:20:22	1,017.00	12:20:22	1,017.00

Buy Trades of M/s MBM Financial Services					Sell Trades of M/s Alpna Enterprises			
	Total Buy Qty	Avg Buy Price (₹)	Turnover (₹)	Matched Qty	Total Sell Qty	Avg Sell Price (₹)	Turnover (₹)	
	42,500	1,007.56	4,28,21,321.25	40,800	3,00,475	1,013.74	30,46,03,917.5	
	Buy Order Time (range)	Buy Order Price (₹)	Buy Trade Time (range)	Buy Trade Price (₹)	Sell Order Time (range)	Sell Order Price (₹)	Sell Trade Time (range)	Sell Trade Price (₹)

From	12:19:22	1,009.00	12:20:25	1,007.55	12:20:25	1,006.30	12:20:25	1,016.60
To	12:20:27	1,009.00	12:21:11	1,016	12:25:25	1,016.00	12:26:10	1,015.00

45. I find that Mr. Mehernosh Bhagat first called Mr. Arun Nahar at 12:16:44 hrs. Just 47 seconds later, at 12:17:31 hrs, Mr. Mehernosh Bhagat placed a 199-second call to Mr. Chetan Mehta. During this single call, MBM Financial placed its sell order for 42,500 shares at ₹ 1,017 (12:17:47 hrs), and initiated its buy order at 12:19:22 hrs, which was executed beginning 12:20:25 hrs, happening precisely with the start of Alpna's large client sell order of 3,00,475 contracts.

46. I further find that MBM completed its second leg of buying by 12:21:11 hrs, benefiting from the price drop caused by Alpna's order. The call concluded at 12:20:50 hrs, by which time MBM Financial's entire cycle had been completed. Of the 42,500 shares MBM Financial bought, 40,800 matched directly with Alpna's sell order.

47. This pattern is not isolated. As an illustrative example on the trading and communication, sequence on May 24, 2022 is examined. The relevant table as follows:

25.1 Scrip/ Contract: JINDALSTEL – 24/05/2022 (FF, Expiry: 26/05/2022)

Sell Trades of M/s MBM Financial Services				
	Total Sell Qty	Avg Sell Price (₹)	Turnover (₹)	
	2,00,000	393.90	7,87,80,875.00	
	Sell Order Time (range)	Sell Order Price (₹)	Sell Trade Time (range)	Sell Trade Price (₹)
From	10:03:16	394.00	10:03:16	395.00
To	10:04:53	393.00	10:05:11	393.00

Buy Trades of M/s MBM Financial Services					Sell Trades of M/s Alpna Enterprises		
	Total Buy Qty	Avg Buy Price (₹)	Turnover (₹)	Matched Qty	Total Sell Qty	Avg Sell Price (₹)	Turnover (₹)

	Buy Trades of M/s MBM Financial Services				Sell Trades of M/s Alpna Enterprises			
	2,00,000	391.58	7,83,15,000.00	1,75,000	4,55,000	391.67	17,82,07,875	
	Buy Order Time (range)	Buy Order Price (₹)	Buy Trade Time (range)	Buy Trade Price (₹)	Sell Order Time (range)	Sell Order Price (₹)	Sell Trade Time (range)	Sell Trade Price (₹)
From	10:05:05	390.55	10:05:56	391.6	10:05:56	391.50	10:05:56	393.05
To	10:05:47	391.50	10:05:57	392	10:05:56	391.50	10:05:56	391.50

48. I note that the orders to sell were placed from the trading account of MBM Financial for 2,00,000 derivative contracts between 10:03:16 hours and 10:04:53 hours on 24.05.2022. The average sell price was ₹ 393.90. The sell orders for 4,55,000 derivatives were placed by Alpna at 10:05:56 hours which were immediately executed. The average sell price was ₹ 391.67. Buy orders were placed for 2,00,000 shares between 10:05:05 hours and 10:05:47 hours from the trading account of MBM Financial. The average buy price for the orders of MBM Financial was ₹ 391.58. There were matched trades between MBM Financial and Alpna for 1,75,000 derivative contracts purchased by MBM Financial. With majority of the trades matching with the Big Client (87%), the above trades resulted in a positive square off difference of ₹ 4,65,875 for MBM Financial.

49. Similar pattern appeared in other 15 sets of trades. The details of the same are provided in the table above at Para 43, wherein Noticee No.1 is taking short position in the scrip just few minutes before the sell orders of Big Client. Thereafter, within few minutes the Noticee No. 1 is squaring off the position where all/majority of his trades are matching with the Big Client.

50. MBM Financial's orders directly preceded and matched the client orders of Alpna with matching volumes as high as 96%. I find similar trading with call patterns, matched in time, scrip, and volume are seen on 17 separate occasions. I find, these communications were not isolated instead they were closely timed and many times within seconds before trade execution and of durations ranging from 81 seconds to 476 seconds, aligning precisely with the window of order entry and execution. These circumstances clearly establish that the

communication by Noticee No.3 was meant for sharing the material non-public information on the impending orders at 17 instances.

51. Noticee No.1 and 2 contended that the SCN considers the trades as basis of allegation instead of correctly considering the orders as the basis of allegation. In this regard, I note the SCN has been issued on the basis that the allegations are based on the orders instead of trades, for instance at Table No.4 of the SCN makes clear reference to order time range in distinction to sell trade time range, and therefore, the contention of the Noticees cannot stand.
52. Noticee No.1 and 2 contented that the SCN fails to allege that Noticees No.1 and 2 were aware that Noticee No. 3 was executing trades on behalf of the Big Client. Although the SCN relies on the statement of Noticee No.2, at no point does Noticee No.2 state that he obtained knowledge of the impending orders of the Big Client from Noticee No.3. In the absence of any such admission or corroborative evidence, the reliance on call records to establish a connection between the Noticees cannot, by itself, be treated as conclusive proof of information sharing.
53. I note that this argument, however, does not withstand scrutiny when examined against the cumulative weight of circumstantial evidence. Firstly, there is a clear allegation that impending order information was shared by Noticee No.3 to Noticee No.2. What is relevant is whether such impending order is substantial and as argued by the Noticee, there is no need to know that the order is on behalf of a “Big Client”. I note that the issue at hand is not whether there exists statement from Noticee No. 2 admitting receipt of order details from Noticee No. 3, but whether the totality of facts and circumstances establishes that Alpna’s order information was shared and acted upon by MBM Financial with the knowledge of the dealer.
54. The argument of Noticee No.1 and 2 that call records alone are insufficient ignores the circumstances described in previous paragraphs. Therefore, the evidence of sharing the substantial impending orders and complicity is not based

on call records alone, but on a convergence of communication patterns, simultaneous trades, maximisation of risk exposure, and concentration of profits all pointing to the conscious sharing by Noticee No.3 to Noticee No.2 and use of client trade information. The contention of the said Noticees that there is no direct admission or express statement is therefore immaterial in the face of overwhelming circumstantial evidence. Further, it is important to note that Noticee No.3 has stated that given the volatility in such periods, large trades could result in a collapse of prices. To maintain pricing equilibrium and avoid market disruption, it was common to negotiate trades off-market with counterparties when required.

55. Further, Noticee No.1 has contended that it was a frequent, high-volume trader operating consistently in both the cash and F&O segments, and that the trades executed on the 17 dates identified in the SCN were in line with its usual trading pattern. However, on careful consideration of the material on record, I find that this contention is not borne out by the relevant trading data as demonstrated below.
56. During the IP, MBM Financial traded on 2,724 contract days in the equity derivatives segment with an average gross traded value (GTV) of ₹ 50.40 lakh per day. However, on the 17 dates corresponding to the alleged front-running instances of the trades of Alpna, the average GTV of MBM Financial stood at ₹ 1,971.66 lakh. This is nearly 39 times its average GTV during the rest of the IP. Such a sharp increase in exposure, concentrated in a narrow set of just 17 instances (11 dates), is in-consistent trading behaviour.
57. On the contrary, it evidences a substantial and selective increase in trading activity that coincides with the execution of large sell orders by Alpna. This cannot be considered as routine trade behaviour.
58. It is further noted that MBM Financial earned profits of ₹ 48,11,373 through these trades in 17 instances, constituting approximately 66% of its total profits during the IP. This disproportionate concentration of profits in a handful of

trading days, which happened alongwith Alpna's large sell orders, further negates the claim that such trades were part of a general, ongoing trading strategy. If the trades had been in the ordinary course of business, one would expect the profit distribution to be more uniform and not so heavily weighted toward a smaller number of just 11 days.

59. The matching of trades between MBM Financial's trades and those of Alpna is also not indicative of routine trading pattern. In 13 out of the 17 instances, the matching percentage of trades between MBM Financial and Alpna ranged between 90% and 100%. This further indicates that this cannot be attributed to normal trading behaviour of Noticee No.1.
60. In light of the above, on the existence of cumulative circumstances, I find that the trading activity of MBM Financial on the 17 instances in question cannot be considered as part of its regular or consistent trading pattern. The evidence on record such as abnormal increase in traded volumes, disproportionate concentration of profits, high degree of matching with Alpna's trades clearly establishes a pattern which is not consistent with regular trading behaviour. Accordingly, the contention of Noticee No. 1 that the trades were ordinary lacks any merit.
61. Noticee No.1 and 2 have also argued that trades were placed based on volatility and movement observed on the screen in the scrip prices and trades *are delivery based, intra-day and of jobbing in nature*. They had further contended that Noticee No.1's trades were executed pursuant to their own analysis and research of the market. The foundation of the contention is that the orders placement were not on the basis of any non-public information. However, this contention is squarely rebutted by the consistent and corroborated communication patterns captured through Call Detail Records (CDRs), which establish timely, pre-trade conversations between Mr. Mehernosh Bhagat, the person executing Alpna's trades and Mr. Chetan Mehta, the person placing trades for MBM Financial. These calls occurred seconds before and during the precise windows in which both legs of MBM Financial's trades were placed and executed.

62. For instance, in the JINDALSTEL trade of May 24, 2022, Mr.Mehernosh Bhagat called Mr.Chetan Mehta at 10:03:05 hrs and remained on the call for 186 seconds, until approximately 10:06:12 hrs, during which the sell orders of MBM Financial began at 10:03:16 hrs, followed by the placement of its buy orders and the execution of Alpna's sell trades at 10:05:56 hrs. This pattern of telephonic communication preceding or overlapping with the execution of trades is not an isolated occurrence but is found in all the 17 instances.
63. Further, the claim of screen-based decision-making fails to explain how the trades of Noticee No.1 consistently matched 90% to 100% of their trades with those of Alpna, across various scrips and on several dates, in such close proximity. The market is anonymous and fast-moving, and such precise matching is virtually impossible without prior knowledge of the order book. Therefore, I find that the repeated overlap in trade timing and call records irrefutably points to a passage of material non-public information of impending orders therefore the contention that the orders were placed based on liquidity and research cannot stand.
64. The Noticee No.1 and 2 further contended that the allegations in the SCN are flawed on the ground that it considered only one leg of the transaction and failed to examine the full three-leg sequence. The foundation of the argument is that consideration of all three legs is necessary to establish the front running pattern, and the failure to do so undermines the basis of the allegation.
65. At the outset, I note, on perusal of Regulation 4(2)(q) of PFUTP Regulations, the first leg of the order by the one who is in possession of material non-public information regarding an impending substantial order is sufficient to constitute front running.
66. Further, on facts, contrary to contention, the SCN makes the allegation based on the three legs across all 17 instances, including (i) the initial sell order placed by

MBM Financial, (ii) the subsequent sell order placed by Alpna, and (iii) the eventual buy order by MBM Financial to square off the position.

67. Therefore, while under the Regulation 4(2)(q) of PFUTP Regulations permits the establishment of front running based on the first leg alone, SCN brought out the full three leg structure. Accordingly, the contention that SEBI relied on only one leg of the transaction is both factually inaccurate and legally unsustainable, and the same is rejected.
68. The Noticee No.1 and 2 further contended that the alleged front running pattern, specifically the Sell–Sell–Buy (SSB) sequence, is not established and that in 15 out of the 17 instances cited, the actual transaction sequence followed was Sell–Buy–Sell (SBS), thereby negating the existence of front running.
69. I note this contention is also devoid of merit. It is pertinent to note that the charge of front running does not rest solely on the rigid identification of a particular trade sequence (such as SSB), but rather on the informational advantage exploited by the Noticees by placing orders based on prior knowledge of impending substantial orders of a client. Therefore, as already recorded, what is prevented is misusing the non-public information of impending substantial order. A violation of front running is triggered as soon as the misuse of the such information by way of an order is placed by anyone who possess that information. Under law, the second leg of substantial order and third leg of front-runner order may not be essential to fasten liability for front running.
70. However, I note, the subsequent legs involve the further steps for exploitation of material non-public information. They are relevant to calculate how much illegal monetisation was reaped by information abuse. There can be cases where the front-runner instead of losing opportunity of matching the trade with the substantial order to other market traders in the stock exchange to obtain price time priority over others may place his second leg before the substantial order is placed by the Big Client. In such cases the pattern will become S-B-S. Therefore, any trading pattern adopted by the front-runner who is in possession of material

non-public information to exploit the same, would be relevant and can be basis for an action for exploiting the material non-public information of impending substantial order. It is already established that MBM Financial earned profits of ₹ 48,11,373 through these 17 instances, constituting approximately 66% of its total profits during the investigation period. Therefore, I hold that any particular trading pattern as followed in the instant case for exploiting the impending substantial trade order can be adopted.

71. Further, I find that in the instant case, the duration and timing of the telephonic communications between Noticee No.3, the dealer of Alpna Enterprises, and Noticee No. 2, the trader for MBM Financial, are highly material in establishing complicity in the front-running scheme. In numerous instances, the duration of the call not only began prior to the placement of MBM Financial's first leg of trades but extended seamlessly into or concluded after the execution of both the front running trades; i.e., the initial sell order and the subsequent buy order by MBM Financial. This indicates that the dealer was not merely communicating the details of impending substantial order but was continuously engaged during the period when both legs of the unlawful trades were executed. The coverage of the entire trade window within the span of a single call indicates a real-time awareness, monitoring and coordination in the execution of trades of MBM Financial by Noticee No.3.
72. For instance, on May 24, 2022, in the JINDALSTEL scrip, Mr. Mehernosh Bhagat called Mr. Chetan Mehta at 10:03:05 hrs, with the call lasting for 186 seconds and concluding at 10:06:12 hrs. During this single call, MBM Financial's sell order was placed at 10:03:16 hrs, followed by its buy order shortly thereafter, while Alpna's own large sell order was executed at 10:05:56 hrs. The entire trade cycle of MBM Financial, from the first leg to the square off, was encapsulated within the duration of this call, clearly pointing that Noticee No.3 was not only aware of the impending trade and was simultaneously coordinating with Noticee No.2 for execution of impugned trades.
73. Similarly, on May 25, 2022, in the RELIANCE22MAYFUT contract, a call lasting 157 seconds, from 09:58:44 hrs to 10:01:21 hrs, was immediately

followed by MBM Financial's sell trade. Subsequently, MBM Financial's buy trades were executed after the market reacted to Alpna's order, again completing both legs of the front running pattern during or immediately after the call. These are not isolated instances; in each of the 17 instances, the call durations ranged from 81 seconds to over 476 seconds, many of them commencing just prior to and concluding after the placement and execution of MBM's trades.

74. The facts discussed above only leads to the conclusion that Mr.Mehernosh Bhagat, as the dealer for Alpna, was consciously aware of the misuse of Alpna's impending order information and was himself a knowing facilitator in the execution of the front running trades by MBM Financial.
75. A contention raised by the Noticee No.3 that the trades of the Big Client were merely rollover transactions. This was essentially for justifying Big Client's order placement and reasons for placing the order. I note rollover is merely one of the recognised methods of executing trades in the derivatives market where positions are shifted from a near-month futures contract to the next-month contract. However, the classification of a trade as a "rollover" is not relevant for giving a finding regarding the violation front running.
76. What is relevant for the purpose of examining of allegation of front running is not form of the trade as to whether it is a rollover or a closeout, but the circumstances in which such trade is executed. The gravamen of the charge is two-fold: (i) whether Alpna's trades were communicated in advance to MBM Financial; and (ii) whether such trades were of a substantial nature capable of influencing market prices. The fact that the trades were rollovers is entirely immaterial to these questions. It was not the rollover itself that is under scrutiny, but the misuse of advance information related to such trades by passing information about those orders to Noticee No. 2 is questionable.
77. Both these tests have been satisfied in the present matter based on the record. The evidence shows that there was consistent and repeated communication between Mr. Mehernosh Bhagat, the dealer of Alpna, and Mr. Chetan Mehta of

MBM Financial, from the moment up to the execution of Alpna's orders. It is already found that impending order details were shared by Noticee No.3 with Noticee No.2.

78. Therefore, the contention that the trades were rollovers does not exonerate the Noticees either for communicating the impending roll over trades or misusing the non - public information of impending orders for such rollover trades, in the larger scheme of front running. Accordingly, the contention based on the rollover argument is devoid of any merit.
79. Noticee No.3 submitted that the reason for executing the trade at a price slightly lower than the market was that he was getting an opportunity to rollover at a better spread than the rollover window. Since a large buyer was available on the screen, transaction was executed. Had he put the transaction first on the screen, the prices would have fallen and he would lose the benefit of the rollover and the client would in turn suffer.
80. The above submission is vital in the present matter wherein the dealer of Big Client is admitting to enter in rollover transactions and placing orders for Big Client for lower than the prevailing market price. Out of the alleged 17 instances, 15 were said to be for the purpose of rollover by Big Client. Since the order was placed for lower price than the prevailing price with huge quantities, the market price of the contract will come down and if any trader had already taken short position in the said contract, prior to the order of Big Client, can square off the transaction once the price comes down.
81. Hence, upon combine consideration of Noticee No.3's submission that he had discussed trades with Mr.Chetan Mehta for the purpose of finding counter party trader and the fact that MBM Financial was placing buy orders at lower prices only a few seconds after selling the same at higher levels, which were getting almost wholly matched with the Big Client sufficiently proves the prior meeting of minds between Noticee No. 2 and 3. This further proves that Noticee No.3 was sharing confidential non-public information regarding impending orders of

the Big Client with Noticee No.2 which facilitated Noticee No.2 in booking profits by taking short positions in the contracts where Big Client was about to place orders at lower prices.

82. The above also refutes the claim of Noticee No.3 that he was not aware of the trades of MBM Financial.
83. I find that there was a financial connection between Noticee No.2 and 3. A transfer of ₹21.6 lakh from the joint account of Noticee No.2 and his wife to that of Noticee No.3 and his wife was there from October 2021 to March 2023. While the stated explanation for this transfer was advisory services rendered by Ms. Parizad Bhagat, no evidence was provided.
84. Noticee No.1 and 2 contented that even assuming availability of the impending order information with Noticee No.2, Noticee 1 was not liable as the trades were done by Noticee 1 without any information.
85. I note that Mr.Chetan Mehta is not merely an external trader but a partner of MBM Financial, and was the person who personally executed all the trades in the account of Noticee No. 1. The legal principle of attribution of conduct to a partnership firm from the actions of its partners is well established. Therefore, the trades executed by Noticee No. 2, while acting in his capacity as a partner, are deemed to be trades of MBM Financial itself. Consequently, the contention that there is no linkage between the person executing the trades and the entity benefiting from them is entirely without merit.
86. In view of the above, it is evident that the acts of Noticee No. 2, as a partner, bind Noticee No.1. The firm is the beneficiary of the wrongful gains arising from the trades and cannot now distance itself from the conduct of its own partner and trader.
87. In view of the above discussion, based on factors concluding the consistent sequence of communication between Noticee No.3 and Noticee No.2 immediately prior to the trades by Noticee No.1, the precise alignment of those

trades with the substantial orders of Alpna's Big Client, the high matching percentages, and the significant profits made, I find that material non-public information regarding impending large trades was indeed communicated by Noticee No. 3 to Noticee No. 1 through Noticee No. 2. Further, Noticee No. 2, while acting on behalf of Noticee No. 1, exploited such information in repeated trades. The entire conduct, seen across 17 instances, clearly indicates an orchestrated misuse of confidential client trade information for gain.

III. Whether the Noticees have violated the provisions as alleged in the SCN, and if so, whether any directions and/or imposition of penalty are warranted in the facts and circumstances of the case?

88. Therefore, the further question that arises for consideration is whether (1) the act of passing of the material non-public information regarding impending orders by Noticee No. 3 to Noticee No.1 through Noticee No.2, and (2) Noticee No.2, exploited such information in repeated trades while acting on behalf of Noticee No.1 is falling within the prohibitive ambit of front running as alleged in the SCN.

89. In this regard attention may be drawn to judgement passed by the Hon'ble Supreme Court in the matter of **SEBI Vs. Kanaiyalal Baldevbhai Patel** [(2017) 15 SCC 1]. 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.”

Attention may also be drawn to reg. 4(2) (q) of PFUTP Regulations which reads as follows:

4. Prohibition of manipulative, fraudulent and unfair trade practices

.....

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

...

...

...

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

90. I have already found that material non-public information regarding impending substantial orders in various securities was communicated by Noticee No.3 to Noticee No.1 through Noticee No. 2. Further, Noticee No.2, while acting on behalf of Noticee No. 1, exploited such information in repeated trades. In view of the above, I find that Noticees No. 1, 2, and 3 have acted together and have indulged in front running of trades of Alpna Enterprises by sharing and misusing material non-public information regarding impending substantial orders. This conduct of Noticee No.1 and 2 falls squarely within the mischief sought to be prevented under Regulation 4(2)(q) of the PFUTP Regulations. Accordingly, the said Noticees have violated Regulation 4(2)(q) of the PFUTP Regulations.
91. In light of the evidence on record, including the repeated communications of Alpna's large client orders between Noticee No. 3 (the dealer of Alpna) and Noticee No. 2 (partner and trader for MBM Financial), and exploitation of those information by MBM Financial, I find that Noticee No. 1, 2, and 3 have directly or indirectly employed manipulative and deceptive devices and contrivances in connection with the purchase and sale of the securities mentioned in the 17 instances. This conduct of the Noticees constitutes a contravention of Section 12A(a) of the SEBI Act, 1992, as they used and employed deceptive devices in contravention of the provisions of the Act and Regulations made thereunder.
92. Further, I find that the Noticees devised and executed a scheme of front running whereby Noticee No.3 communicated material non-public information of substantial pending orders of Alpna Enterprises to Noticee No. 1 through Noticee No. 2, who then traded in advance of those orders and secured wrongful gains. This conduct amounts to the employment of a fraudulent scheme in connection with dealing in the securities mentioned in the 17 instances, in violation of Section 12A(b) and 12A(e) of the SEBI Act, 1992. The trading activity by MBM Financial, while in possession of material non-public information, and the communication of such information by Noticee No. 3, falls squarely within the mischief prohibited under Section 12A(e) of SEBI Act.
93. I further find that the coordinated and repetitive actions of the Noticees in doing trades around the execution windows of Alpna's substantial orders, based on

non-public information for the purpose of exploiting market impact of those substantial orders for unlawful gain, constitute fraudulent, manipulative trading activity and unfair trade practice under the clause 3(a), 3(b), 3(c), 3(d) and 4(1) PFUTP Regulations.

94. I further find that that MBM Financial accrued profits amounting to ₹ 48,11,373 from the said 17 trades, representing approximately 66% of its total profits during the entire investigation period by virtue of contraventions of the above provisions. Therefore, these wrongful gain are liable to be disgorged.
95. In this regard, Noticee No.1 and 2 contented that one of the impugned trades on 13-06-2022 in GRASIM should not be counted for the purpose of wrongful gain because there was no matching of trade between the Big Client and Noticee No.1. This contention is liable to be rejected as the basis of calculation of wrongful gain is not that entire order of the Noticee No.1 has to match with the Big Client trades. The basis is the exploitation of the market opportunity created by the Big Client order with the prior knowledge of such order. Therefore, the price benefit created by the Big Client when exploited should be considered for calculation even if the same matched with another market participant, especially when the second leg of the order was placed within a few seconds of the Big Client order while in possession of the pending substantial order of the Big Client.

IV. What directions, if any, including the amount of monetary penalty, is required to be imposed on the Noticee(s)?

96. The charges against Noticees are thoroughly examined and established above. As observed in the previous parts of this order, Noticee No.1 and 2 while having access and possession of non-public information about impending trade orders of the Big Clients, which was communicated by Noticee No.3, executed trades in derivative segment and earned illegitimate profits. Accordingly, I find that Noticees 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 Noticees for such violations.

97. Section 15HA of the SEBI Act provides for penalty for fraudulent and unfair trade practices which shall not be less than Rs.5 Lakhs but which may extend to Rs.25 Crore or 3 times the amount of profits made out of such practices, whichever is higher. While determining the quantum of penalty under the SEBI Act, it is important to consider the factors stipulated in section 15J of the SEBI Act which are as follows: -
- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
 - (b) the amount of loss caused to an investor or group of investors as a result of the default;
 - (c) the repetitive nature of the default.
98. Noticee No.1 and 2 submitted as mitigating circumstances their claim of not making any unfair advantage or disproportionate gain, not causing any loss to investors or to the securities market, their lack of knowledge of relationship between Noticee 1 and the big client. Their claim that their trades were based on research was made as another point as mitigating circumstance.
99. Noticee No.3 submitted as mitigating circumstance that no loss has been caused to any investors. Mr. Arun Nahar has always benefited from these trades and the purpose of these rollover trades was to save some monies over the rollover window, which was achieved. Further, he submitted that he has not made any profit and the alleged default is not repetitive and this is the first instance and his livelihood depends on being employed with a broking firm.
100. However, I have already found that the factors claimed by the Noticees 1 and 2 in support of mitigating circumstances does not exist. On the other-hand Noticee No.1 trading through 2 has exploited the opportunity of substantial order with prior knowledge and has wrongfully gained profits to the extent of ₹ 48.11 lakh. The wrongful profit was made by the Noticee No.2 in the account of Noticee

No.1 displacing the legitimate buyers in the market. Therefore, in my view, the profits wrongfully earned by these Noticees are coming from the market opportunity forgone by the legitimate buyers because of the intervention of the front running activity. To that extent, this can be considered as not only economic loss but also actual loss to those displaced legitimate unknown buyers though the same cannot be quantified qua those displaced legitimate buyers.

101. The profit earned by Noticee 1 and 2 through front running trades are detailed in the table below:

Name of FR	Profit made in derivative segment of NSE (in ₹)
M/S MBM Financial	
Mr. Chetan Mehta	48,11,373/-
Total	48,11,373/-

102. I **note** that Noticee No.1 and 2 as part of the scheme of Front Running during the IP which spanned over a period of around 6 months made wrongful gain of ₹48,11,373/- and Noticee No.3 facilitated the scheme of the said front running trades as described in the previous paragraphs. Noticee No.2 being a partner of the partnership firm Noticee No.1, the act of the Noticee 2 also becomes the act of the firm. At this juncture, I would like to quote the observations of Hon'ble Andhra Pradesh High Court in the matter of Gattamaneni Prameela and Ors. Vs Avula Hymavathi and Anr. decided on June 16, 1997. The Hon'ble High Court with respect to the legal liability of the partners, observed as follows: “...it is true that under the Indian Partnership Act, "firm" or "partnership" is not a legal entity, but merely an association of persons agreed to carry on business. It is only a collective name for individuals carrying on business in partnership. The essential characteristic of a firm is, that each partner is a representative of other partner. Each of the partners is an agent as well as principal. He is an agent insofar as he can bind the other partners by his acts within the scope of the partnership agreement. He is principal to the extent that he is bound by the acts of other partners. In fact, every partner is liable for an "act of the firm". "Act of a firm" has been defined to mean "any act or omission by the partners or by any partner or agent of the firm which gives rise

to a right enforceable by or against the firm." This is the civil liability of the firm and its partners."

103. Therefore, for all the acts of the firm, every partner is liable, jointly with all the other partners, and also severally, while he is a partner. This principle is specifically laid down in Section 25 of Indian Partnership Act.
104. Accordingly, Noticee No.1 and 2 are jointly and severally liable for disgorgements of Rs.48,11,373/- along with interest at the rate of interest 12 percent per annum from 30.06.2022, the last day of the front running trades, till the date of actual payment.
105. In view of the loss caused to the investors and the unlawful gain made by Noticee No.1 and 2 pursuant to the front running trades the same will be considered for appropriate penalty and other directions against them.
106. I have considered also the fact that there is nothing on record to suggest against the Noticees that there was any regulatory action by SEBI for any securities market default.
107. In view of the above, I find that necessary directions are required to be issued and appropriate penalty is required to be imposed on the Noticees along with the disgorgement of wrongful profit earned in the instant case.

DIRECTIONS

108. 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)) read with Section 19 of SEBI Act 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. 48,11,373/-** (Rupees forty eight lakhs eleven thousand three hundred and seventy three only) along with interest at the rate of interest 12 percent per annum to be calculated from 30.06.2022, till the date of actual payment,

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. The Noticees 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 the following period, from the date of this order:

Name of Noticee	PAN	Period of Debarment
M/s MBM Financial Services	ABBFM2497H	Two Years
Mr. Chetan Mehta	AALPM8957B	Two Years
Mr. Mehernosh D. Bhagat	AAAPB3384B	One Year

- c. If the Noticees have any open position in any exchange traded derivative contracts, as on the date of the 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.
- d. In addition, in exercise of powers conferred upon me under sections 11(4A) and 11B(2), the Noticees are hereby imposed with the following monetary penalties:

Noticee No.	Name of the Noticee	Penal Provision	Amount (in Rupees)
1.	M/s MBM Financial Services	Section 15HA of SEBI Act, 1992.	25,00,000/- (Rupees Twenty Five Lakh)
2.	Mr. Chetan Mehta		15,00,000/- (Rupees Fifteen Lakh)
3.	Mr. Mehernosh D. Bhagat		8,00,000/- (Rupees Eight Lakh)

109. 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.

110. 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-13, 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	

111. This order shall come into force with immediate effect.
112. 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: May 30, 2025
Place: Mumbai

N MURUGAN
QUASI-JUDICIAL AUTHORITY
SECURITIES AND EXCHANGE BOARD OF INDIA