National Stock Exchange of India Limited
Circular

Department: Investigation	
Download Ref No: NSE/INVG/70921	Date: October 24, 2025
Circular Ref. No: 523/2025	

To All NSE Members,

Sub: SEBI Order in the matter of front running of the orders of Big Client (certain family trusts) by certain entities.

This has reference to SEBI order no. QJA/SS/IVD-1/ID16/31699/2025-26 dated October 23, 2025, wherein SEBI has restrained following entities from accessing the securities market and further prohibited them from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for the period given in table, from the date of this order:

Noticee No.	Name	PAN	Debarment Period
6	Shankar Tukaram Vadatkar	ADKPV7740H	3 Years
7	Sakshi Shankar Vadatkar	AMOPM1205F	2 Years
8	Chaitali Shah	AMPPS4417G	2 Years
10	Shah Swapnil Uday HUF	AASHS9305J	2 Years
12	Dipesh Mehta HUF	AAHHD8379J	2 Years
14	Piyush Mehta HUF	AAPHP0325N	2 Years
15	Hansraj Randhir Shah HUF	AAAHH0445Q	2 Years
17	Randhir Virji Shah HUF	AAEHR6492K	1 Year
19	Pinakin Hansraj Shah HUF	AAJHP5561J	1 Year
20	Punaiben Hansraj Shah	AAPPS2760Q	1 Year
21	Raahul Hansraj Shah HUF	AARHR6643F	2 Years
27	Ankesh Mahendra Jain HUF	AATHA3966J	1 Year
29	Dr Kumaraswami R Dussa HUF	AAIHD5369P	1 Year

National Stock Exchange of India Limited

Further, SEBI vide above order has directed that, if Noticee Nos. 6, 7, 8, 10, 12, 14, 15, 17, 19, 20, 21, 27, and 29 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 - http://www.sebi.gov.in

Further, the consolidated list of such entities is available on the Exchange website

http://www.nseindia.com home page at the below mentioned link:

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

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

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

For and on behalf of
National Stock Exchange of India Limited

Sandesh Sawant
Senior Manager

Annexure: SEBI Order in the matter of front running of the orders of Big Client (certain family trusts) by certain entities

QJA/SS/IVD-1/ID16/31699/2025-26

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Sections 11(1), 11(4), 11(4A), 11B (1) and 11B (2) read with Section 15HA and 15I of the Securities and Exchange Board of India Act, 1992.

In respect of:

Noticee No.	Name	PAN
6	Shankar Tukaram Vadatkar	ADKPV7740H
7	Sakshi Shankar Vadatkar	AMOPM1205F
8	Chaitali Shah	AMPPS4417G
9	Shah Swapnil Uday	ADWPS1187P
10	Shah Swapnil Uday HUF	AASHS9305J
11	Dipesh Mehta	AALPM9343H
12	Dipesh Mehta HUF	AAHHD8379J
13	Piyush Mehta	AALPM9341F
14	Piyush Mehta HUF	AAPHP0325N
15	Hansraj Randhir Shah HUF	AAAHH0445Q
16	Hansraj Randhir Shah	AABPS6700N
17	Randhir Virji Shah HUF	AAEHR6492K
18	Pinakin Hansraj Shah	ADKPS5036P
19	Pinakin Hansraj Shah HUF	AAJHP5561J
20	Punaiben Hansraj Shah	AAPPS2760Q
21	Raahul Hansraj Shah HUF	AARHR6643F
22	Raahul Hansraj Shah	APHPS3286E
23	Soniya Mahesh Bohra	AZBPB2241C
24	Mahesh Bohra	AGQPB6811J
26	Shailesh Nayak	ACNPN2562K
27	Ankesh Mahendra Jain HUF	AATHA3966J
28	Ankesh Mahendra Jain	ANKPJ9970B
29	Dr Kumaraswami R Dussa HUF	AAIHD5369P
30	Dr Kumaraswami R Dussa	AFUPD6543E

The abovementioned persons are hereinafter individually referred to by their respective names or Noticee number and collectively as "the Noticees")[1]

Order in matter of front running of the orders of Big Client (certain family trusts) by certain entities.

CONTENTS PAGE

1 The Show Cause Notice in this case qua Noticees 1 to 5 and 25 stood disposed of vide settlement order dated December 19, 2024 hence they are not made party in this order and any reference to them in this order is strictly as per applicable Regulations.

Prologue.

1. This a case of alleged front running involving total 30 Noticees. Instant proceedings were commenced by issuance of a common Show Cause Notice (SCN) dated January 24, 2024 upon all the 30 Noticees alleging that they have violated Sections 12A (a), (b), (c) and (e) of SEBI Act and Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(q) of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (the PFUTP Regulations).

2. Vide a settlement order dated December 19, 2024 under the SEBI (Settlement Proceedings) Regulations, 2018 ("the Settlement Regulations"), proceedings *qua* Noticee Nos. 1, 2, 3, 4, 5 and 25 have been disposed of in terms of settlement terms noted in the said settlement order, without admitting or denying the allegations against them. These Noticees have been referred by their Noticee numbers wherever relevant to make necessary observations in terms of Regulation 27 of the Settlement Regulations.

3. Noticee No. 25 had not traded in this matter and her husband i.e. Noticee No. 26 had traded in her trading account. Both had been arrayed as Noticees in the SCN. While the SCN *qua* Noticee No. 25, whose role is only for alleged usage of her trading account by her husband, Noticee No. 26, has been settled vide settlement order dated December 19, 2024, the settlement proposal for same transactions of Noticee No. 26 for which SCN has been settled for Noticee No. 25 has been rejected.

4. Noticee Nos. 9, 11, 13, 16, 18, 22, 28 and 30 have not traded in this matter and have been arrayed as a party on account of being Karta of their respective Hindu Undivided Family ('HUF') *viz*; Noticee Nos. 10, 12, 14, 15, 19, 21, 27 and 29, respectively).

Background.

5. An investigation was undertaken by SEBI to ascertain possible violation of the provisions of the SEBI Act and the PFUTP Regulations during the period from January 01, 2021 to October 31, 2022 (*'IP'*) in respect of alleged consistent placing of orders ahead of the orders of three entities namely, Bharat Kanaiyalal Sheth Family Trust, Ravi Kanaiyalal Sheth Family Trust and Arjun Discretionary Trust (hereinafter collectively referred to as the '*Big Client'*) in the Equity (cash) segment of the National Stock Exchange Limited (NSE), and squaring off the same.

6. Noticee No. 1, being privy to the details of the impending orders of the *Big Client* was in connection with Noticee No. 2, the '*main Front Runner'*, through Noticee No. 5, who is an employee of Noticee No. 2. Noticee No. 2 had access to the information of the impending orders of the *Big Client* from Noticee No. 1, through Noticee No. 5 (the information carrier). Noticee No. 2 (*main front runner*) did front running ahead of the impending orders of the *Big Client.* He was connected /related with other Noticees (alleged '*front runners'*) who also traded in their own account or HUF account or their respective spouse's account ahead of the impending orders of the *Big client* after having access to non-public information that led them to trade.

Show Cause Notice

7. Based on the investigation, the instant proceedings were commenced by issuance of a common SCN dated January 24, 2024 upon the Noticees listed hereinabove and also upon *Noticee Nos. 1 to 5 and 25* alleging that they all have violated the provisions of Section 12A (a), (b), (c) and (e) of SEBI Act and Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(q) of the PFUTP Regulations.

8. The Noticees were called upon them to show cause as to why suitable directions under Sections 11B(1) and 11(4) read with 11(1) of SEBI Act, 1992 including directions to prohibit them from buying, selling or otherwise dealing in securities market, either directly or indirectly, in any manner whatsoever, for a particular period and directions for disgorgement of the unlawful gains and why an inquiry should not be held against them in terms of rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (Adjudication Rules) and why suitable monetary penalties under Sections 11(4A) and 11B(2) read with Section 15HA of the SEBI Act should not be imposed on the Noticees, for the aforesaid violations.

Snapshot of the basis of allegations/charges.

9. The basis of allegations / charges as per the SCN are noted as following:

a. NSE, vide its examination report (ER) dated May 19, 2023, identified that orders placed in three trading accounts belonging to the *Big Client* have been front run. These trading accounts belonged to a partnership firm named Safe Enterprises, which carried out the business of dealing and investing in shares, securities, commodities, both in cash and futures and options (F&O) segment of the exchanges and also as an Investment Consultancy Firm.

b. The orders of the *Big Client* have been front run by certain entities (including the Noticees herein), who are related to/ associated with Noticee No. 2, proprietor of NJK Securities, an AP/ Sub-broker of Angel One Limited (Angel One), a SEBI registered stock broker. The details of the Noticees

herein, who have allegedly front run the trades of the *Big Client* alongwith their relationship with Noticee No. 2 are as follows:

Table No. – 1

Noticee No.	Status	Connection with Noticee No. 2
6	Individual	Employee of Noticee No. 2
7	Individual	Spouse of Noticee No. 7
8	Individual	Account opened by NJK Securities
9	HUF	Karta is Spouse of Noticee No. 8 according to KYC. Trades in account have been entered through terminal allotted to Noticee No. 2.
12	HUF	HUF account of Noticee No. 11. Account opened by NJK Securities.
14	HUF	HUF account of Noticee No. 13. Account opened by NJK Securities.
15	HUF	Father of Noticee No. 18. Trades in account have been entered through terminal allotted to Noticee No. 2.
17	HUF	Karta is father of Karta of Noticee No. 16. Trades in account have been entered through terminal allotted to Noticee No. 2.
19	HUF	Karta is son of Karta of Noticee No. 16. Trades in account have been entered through terminal allotted to Noticee No. 2.
20	Individual	Spouse of Karta of Noticee No. 15. Trades in account have been entered through terminal allotted to Noticee No. 2.
21	HUF	Account opened by NJK Securities
23	Individual	Account opened by NJK Securities
27	HUF	Trades in account have been entered through terminal allotted to Noticee No. 2.
29	HUF	Trades in account have been entered through terminal allotted to Noticee No. 2.

c. The *front runners* were mainly identified in the following groups:

i. **Accounts related to Noticee No. 2-** The accounts related to Noticee No. 2, which include his personal account, the account of his spouse, Noticee No. 4, and his HUF account (Noticee No. 3).

ii. **Accounts related to Noticee No. 6-** Accounts related to Noticee No. 6, employee of Noticee No. 2, which include his personal account and the account of his spouse, Noticee No. 7.

iii. **Accounts related to clients of Noticee No. 2-** The following accounts belong to 13 clients of and Noticee No. 2:

I. Accounts of Noticee Nos. 8 and 10 (Swapnil Shah Family Accounts),
II. Accounts of Noticee Nos. 12 and 14 (Mehta Family Accounts),
III. Accounts of Noticee Nos. 15, 17, 19, 20 and 21. (Shah Family Accounts), and
IV. Accounts of individual clients, Noticee Nos. 23, 25, 27 and 29.

d. The *front runners* have 424 instances of commonly traded scrip days *vis –a-vis* the trades of the *Big Client*, which contributed to 57.79% of the Gross Traded Value (GTV) of these trades. The break-up of these 424 instances is as below:

Table No. - 2

No. of instances	Nature of square off profit	% of GTV of FRs
363	Rs. 2.11 crores	54.38%
33	(Rs. 2.56 lacs)	3.31%
28	No squaring off done	

e. Out of the 424 instances where the *front runners* and the *Big Client* have traded in common scrips, the profit-making instances were considerably significant than the loss-making instances for common scrip days. In 370 common instances, the *front runners* had carried out intra-day trading, which accounted for 56.52% of the total GTV of these *front runners*. In 342 instances, the *front runners* had earned a positive square off difference aggregating to Rs. 2.08 crores. Out of these 342 common intraday instances, in 328 instances, pattern of front running was observed, which constituted 52.85% of the GTV of these *front runners*. Through these 328 common instances, the *front runners* earned a positive square off difference of Rs. 2.06 crores, which constituted 80.38% of total profit earned by the *front runners* during the *IP*. In 301 out of 328 front running instances, matching % of the *front runners* with the *Big Client* cumulatively ranged between 40% – 100%.

f. The front running pattern was either Buy-Buy-Sell (**BBS**) or Sell-Sell-Buy (**SSB**). In majority of the instances the order quality intended to be traded by the *Big Client* is substantial when compared with the previous days traded quantity and with the average daily traded quantity in the preceding 6 months.

g. Noticee No. 1 was the person taking the final decision to buy/ sell and the one who placed orders with the stock brokers on behalf of the *Big Client*. As only he was placing instructions with the stock brokers on behalf of the *Big Client*, the timing of the placement of order instructions of the *Big Client* was only in his hands, thereby giving him opportunity to work around the impending orders of the *Big Client*.

h. Considering the length of the *IP* and dates of employment of the members of the investment team of Safe Enterprises, it is observed that Noticee No. 1 had access to the non-public information about the impending orders of the *Big Client* in his official capacity. Further, since only Noticee No. 1 was placing instructions with the stock brokers on behalf of the *Big Client*, the timing of the placement of the order instructions of the *Big Client* was only in the hands of Noticee No. 1 thereby giving him opportunity to work around the impending orders of the *Big Client*.

i. The timing between order placement of first and second legs of front running, was observed as following:

   i. In 319 instances, out of the 328 instances, the orders of first leg of the alleged *front runners* have been placed before the orders of the *Big Client* were placed.

   ii. In the remaining 9 instances, the orders of first leg of the alleged *front runners* have been placed after the orders of the *Big Client* were placed.

   iii. In 221 instances, the time difference is less than 5 minutes i.e., the order for the squaring off leg is placed within 5 minutes of placing the first leg. Further break-up of these 221 instances is as below:
      I. In 62 instances, the time difference is less than a minute.
      II. In 67 instances, the time difference is between 1-2 minutes.
      III. In 50 instances, the time difference is between 2-3 minutes.
      IV. In 42 instances, the time difference is between 3-5 minutes.

   iv. In 34 instances, the time difference is between 5-10 minutes i.e., the order for the squaring off leg is placed between 5-10 minutes of placing the first leg.

   v. In 73 instances, the time difference is greater than 15 minutes i.e., the order for the squaring off leg is placed 15 minutes after placing the first leg.

vi. In majority of the instances, the alleged *front runners* have squared off their position within 2 minutes of having placed the first leg maintaining their position for a very short period of time.

j. In majority of the front running instances, the *front runners* had squared off their position within 2 minutes of having placed the first leg of the order maintaining their position for a very short period of time.

k. From the examination of the available Call Data Records (CDRs) of Noticee No. 1 and Noticee No. 2 and their statement on oath, it is observed that:

i. Both were in frequent communication with one Noticee No. 5;

ii. Noticee No. 5 has been employee of Noticee No. 2 since 2016-18 and started with a salary of Rs. 60,000/- per month. When he left his employment in June 2022, he was getting a salary of Rs. 70,000/- per month during IP and handled risk management, business development, trading limits for clients of Noticee No. 2, compliance etc.

iii. He used to visit the office of Noticee No. 2 about 2-4 times a month for an hour or so and most of the work was carried out over phone.

iv. No letter of appointment or letter of resignation has been given to Noticee No. 5 and there are no supporting documents to show that Noticee No. 5 has been employed with him during the *IP*.

l. Noticee No. 1 is connected to Noticee No. 5 by way of frequent communication and meetings, which were to seek stock market related intelligence from each other and that Noticee No. 1, who was privy to the details of the impending orders and Noticee No. 2, are connected to each other through Noticee No. 5. From April 01, 2018 to August 30, 2023, Noticee No. 2 has paid the following amounts as salary to Noticee No. 5:

Table No. - 3

Sr. No.	Financial Year	Amount paid
1	Apr 01, 2018-Mar 31, 2019	Rs. 15,25,000/-
2	Apr 01, 2019-Mar 31, 2020	Rs. 4,48,368/-
3	Apr 01, 2020-Mar 31, 2021	Rs. 11,60,000/-
4	Apr 01, 2021-Mar 31, 2022	Rs. 12,91,500/-
5	Apr 01, 2022-Aug 30, 2023	Rs. 3,15,000/-

m. The following table shows that the aforesaid salary forms a significant percentage of brokerage earned by Noticee No. 2 from his activities as an AR:

Table No. - 4

Sr. No.	Financial Year	Amount paid (Rs.)	Brokerage earned from Angel One (Rs.)	Salary paid to Noticee No. 5 as a % of brokerage earned
1	Apr 01, 2018-Mar 31, 2019	15,25,000	-	-
2	Apr 01, 2019-Mar 31, 2020	4,48,368	30,17,583.61	14.86%
3	Apr 01, 2020-Mar 31, 2021	11,60,000	25,36,011.73	45.74%
4	Apr 01, 2021-Mar 31, 2022	12,91,500	41,57,120.47	31.07%
5	Apr 01, 2022-Aug 30, 2023	3,15,000	33,98,582.61	9.27%

n. The quantum of salary paid to Noticee No. 5 for visiting Noticee No. 2's office 3-4 times a month for an hour or so appeared to be unreasonably high and not commensurate to the brokerage earned by Noticee No. 2. No justification has been provided for paying such high salary to Noticee No. 5. That these transactions are not in the nature of normal salary or commission paid to Noticee No. 5 for his services to Noticee No. 2 as an AP and allegedly paid for his role in sourcing information about the impending orders from Noticee No. 1 and passing them to Noticee No. 2.

o. That Noticee No. 2, was, directly or indirectly, in possession of the details of the impending orders to be placed on behalf of the *Big Client*. He then placed orders accordingly in these three sets of accounts to take advantage of these details.

p. There exists correlation of calls between Noticee No. 1 and Noticee No. 5 and those of Noticee No. 5 and Noticee No. 2 and Noticee No. 6 as follows:

i. On August 04, 2021, Noticee No. 1 had called Noticee No. 5 during market hours for 5 seconds. The call has been made after the orders of the front running leg of the *front runner* are in place before the orders of the *Big Client* are placed by Noticee No. 1. Further, Noticee No. 1 and Noticee No. 5 have also spoken after-market hours for around 3 minutes. The timeline on this date is as follows:

Table No.- 5

Date	Time of Call	Duration (s)	Comments
04/08/2021	9:44:50	87	Noticee No. 1 to dealer of Ambit
04/08/2021	10:07:50	7	Noticee No. 1 to dealer of Ambit
04/08/2021	10:38:37	-	Sell order of Noticee No. 12 started
04/08/2021	10:38:50	-	Sell order of Noticee No. 2 started
04/08/2021	10:39:37	5	Noticee No. 1 has called Noticee No. 5 for 5 seconds i.e., after the front run orders have started and before the Big Client orders have been placed
04/08/2021	10:40:58	190	Noticee No. 1 to dealer of Ambit
04/08/2021	10:41:19	-	Sell order of Big Client started
04/08/2021	10:44:28	22	Noticee No.2's office to Noticee No. 5
04/08/2021	10:49:10	83	Noticee No. 1 to dealer of Ambit
04/08/2021	10:50:50	102	Noticee No. 1 to dealer of Ambit
04/08/2021	11:09:24	52	Noticee No. 5 to Noticee No. 2's office
04/08/2021	16:28:47	420	Noticee No. 5 has called Noticee No. 2
04/08/2021	16:54:10	162	Noticee No. 1 has called Noticee No. 5
04/08/2021	17:14:20	316	Noticee No. 6 to Noticee No. 5
04/08/2021	20:29:39	22	Noticee No. 1 has called Noticee No. 5

ii. On August 12, 2021, Noticee No. 5 called Noticee No. 1 before market hours for 94 seconds. The call has been made before the orders of the front running leg of the alleged *front runners* or those of the *Big Client* have been placed. The timeline on this date is as follows:

Table No. - 6

Date	Time of Call	Duration (s)	Comments
12/08/2021	8:32:32	94	Noticee No. 5 to Noticee No. 1
12/08/2021	9:22:40	-	Buy order of Noticee No. 12 started
12/08/2021	9:23:03	-	Buy order of Noticee No. 2 started

Date	Time of Call	Duration (s)	Comments
12/08/2021	8:32:32	94	Noticee No. 5 to Noticee No. 1
12/08/2021	9:22:40	-	Buy order of Noticee No. 12 started
12/08/2021	9:24:58	113	Noticee No. 1 to dealer of Ambit
12/08/2021	9:26:07	-	Buy order of Big Client started
12/08/2021	9:31:17	104	Noticee No. 2 to his office
12/08/2021	10:19:02	30	Noticee No. 1 to dealer of Ambit
12/08/2021	10:53:38	-	Sell order of Noticee No. 12 started
12/08/2021	10:53:54	-	Sell order of Noticee No. 2 started
12/08/2021	11:11:14	232	Noticee No. 1 to dealer of Ambit
12/08/2021	11:12:06	-	Sell order of Big Client started
12/08/2021	16:36:18	194	Noticee No. 5 to Noticee No. 2's office

iii. On August 17, 2021, Noticee No. 5 called Noticee No. 1 twice during market hours for 24 seconds. The calls were made before the orders of the front running leg of the *front runners* or those of the *Big Client* have been placed. After market hours, Noticee No. 1 and Noticee No. 5 spoke for around 4 minutes. The timeline on the said date is as follows:

Table No. - 7

Date	Time of Call	Duration (s)	Comments
17/08/2021	13:13:06	10	Noticee No. 5 has called Noticee No. 1
17/08/2021	14:05:46	13	Noticee No. 5 has called Noticee No. 1
17/08/2021	14:58:02	-	Buy order of Noticee No. 12 started
17/08/2021	14:58:19	-	Buy order of Noticee No. 2 started

Date	Time of Call	Duration (s)	Comments
17/08/2021	14:58:38	244	Noticee No. 1 to dealer of Ambit
17/08/2021	15:00:18	-	Buy order of Big Client started
17/08/2021	17:13:14	872	Noticee No. 2 has called Noticee No. 5
17/08/2021	18:03:35	225	Noticee No. 1 has spoken with Noticee No. 5

iv. On August 30, 2021, Noticee No. 5 spoke with Noticee No. 1 for a minute during market hours but before the orders of the front running leg of the *front runners* or those of the *Big Client* were placed. On the same day, Noticee No. 1 and Noticee No. 5 spoke after market hours for a minute. The timeline on the said date is as follows:

Table No. - 8

Date	Time of Call	Duration (s)	Comments
30/08/2021	8:37:48	98	Noticee No. 5 to Noticee No. 6
30/08/2021	10:06:57	55	Noticee No. 5 has called Noticee No. 1
30/08/2021	10:14:36	131	Noticee No. 2's office to Noticee No. 2
30/08/2021	10:42:25	-	Buy order of Noticee No. 14 started
30/08/2021	10:42:51	-	Buy order of Noticee No. 2 started
30/08/2021	10:50:57	116	Noticee No. 1 to dealer of Ambit
30/08/2021	10:52:22	-	Buy order of Big Client started
30/08/2021	12:19:05	102	Noticee No. 1 to dealer of Ambit
30/08/2021	12:30:31	24	Dealer of Ambit to Noticee No. 1
30/08/2021	12:52:46	-	Sell order of Noticee No. 14 started
30/08/2021	12:54:53	263	Noticee No. 1 to dealer of Ambit
30/08/2021	12:56:57	-	Sell order of Big Client started

Date	Time of Call	Duration (s)	Comments
30/08/2021	13:01:14	17	Noticee No. 1 to dealer of Ambit
30/08/2021	15:06:30	48	Noticee No. 1 to dealer of Ambit
30/08/2021	16:08:37	102	Noticee No. 5 to Noticee No. 2's office
30/08/2021	18:11:02	55	Noticee No. 1 has called Noticee No. 5

v. On October 7, 2021, Noticee No. 5 spoke with Noticee No. 1 for around 24 minutes before market hours and before the orders of the front running leg of the *front runners* or those of the *Big Client* have been placed. The timeline on the said date is as follows:

Table No. -9

Date	Time of Call	Duration (s)	Comments
07/10/2021	**8:23:37**	**1454**	Noticee No. 5 has called Noticee No. 1
07/10/2021	10:13:25	79	Noticee No. 2's office to Noticee No. 2
07/10/2021	10:38:55	-	Buy order of Noticee No. 6 started
07/10/2021	10:41:05	-	Buy order of Noticee No. 2 started
07/10/2021	10:42:56	221	Noticee No. 1 to Ambit dealer
07/10/2021	10:43:33	-	Buy order of Big Client started
07/10/2021	10:44:56	-	Buy order of Big Client started
07/10/2021	10:56:17	36	Noticee No. 2 office to Noticee No. 5

vi. On October 11, 2021, Noticee No. 5 spoke with Noticee No. 1 for around 5 minutes before market hours and before the orders of the front running leg of the *front runners* or those of the *Big Client* were placed. The timeline on the said date is as follows:

Table No. - 10

Date	Time of Call	Duration (s)	Comments
11/10/2021	8:26:45	283	Noticee No. 5 has called Noticee No. 1
11/10/2021	9:12:44	85	Noticee No. 2's office to Noticee No. 2
11/10/2021	9:15:43	85	Noticee No. 2's office to Noticee No. 2
11/10/2021	9:17:24	12	Noticee No. 2's office to Noticee No. 5
11/10/2021	9:40:07	-	Sell order of Noticee No. 6 started
11/10/2021	9:40:40	133	Noticee No. 1 to Ambit dealer
11/10/2021	9:41:37	-	Sell order of Noticee No. 2 started
11/10/2021	9:42:21	-	Sell order of *Big Client* started
11/10/2021	10:02:51	-	Buy order of Noticee No. 2 started
11/10/2021	10:44:26	182	Noticee No. 1 to Ambit dealer
11/10/2021	10:45:51	-	Buy order of *Big Client* started

vii. On October 12, 2021, Noticee No. 5 spoke with Noticee No. 1 for around 11 minutes before market hours and before the orders of the front running leg of the *front runners* or those of the *Big Client* have been placed. The timeline on the said date is as follows:

Table No. - 11

Date	Time of Call	Duration (s)	Comments
12/10/2021	8:22:48	647	Noticee No. 5 has called Noticee No. 1
12/10/2021	9:12:54	9	Noticee No. 2's office to Noticee No. 5
12/10/2021	9:15:43	85	Noticee No. 2's office to Noticee No. 2
12/10/2021	9:58:53	-	Buy order of Noticee No. 6 started
12/10/2021	10:02:18	-	Buy order of Noticee No. 2 started

12/10/2021	10:26:48	153	Noticee No. 1 to dealer of Ambit
12/10/2021	10:27:19	-	Buy order of *Big Client* started

viii. On October 13, 2021, Noticee No. 5 spoke with Noticee No. 1 for around 9 minutes before market hours and before the orders of the front running leg of the *front runners* or those of the *Big Client* have been placed. The timeline on the said date is as follows:

Table No. - 12

Date	Time of Call	Duration (s)	Comments
13/10/2021	8:23:01	522	Noticee No. 5 has called Noticee No. 1
13/10/2021	12:10:06	-	Buy order of Noticee No. 2 started
13/10/2021	12:23:55	-	Buy order of *Big Client* started

ix. On October 22, 2021, Noticee No. 1 spoke with Noticee No. 5 for around 3 minutes before market hours and before the orders of the front running leg of the alleged *front runners* or those of the *Big Client* have been placed. The timeline on the said date is as follows:

Table No. - 13

Date	Time of Call	Duration (s)	Comments
22/10/2021	8:28:52	168	Noticee No. 1 has called Noticee No. 5
22/10/2021	9:16:59	-	Buy order of Noticee No. 6 started
22/10/2021	9:17:35	-	Buy order of Noticee No. 2 started
22/10/2021	9:18:46	36	Noticee No. 1 call to Emkay dealer
22/10/2021	9:22:30	-	Buy order of *Big Client* started
22/10/2021	9:36:30	-	Sell order of Noticee No. 2 started
22/10/2021	9:38:46		Sell order of *Big Client* started

x. On October 25, 2021, Noticee No. 5 spoke with Noticee No. 1 for around 9 minutes before market hours and before the orders of the front running leg of the *front runner* or those of the *Big Client* have been placed. Noticee No. 1 and Noticee No. 5 also spoke with each other post market hours for 7 minutes. The timeline on the said date is as follows:

Table No. - 14

Date	Time of Call	Duration (s)	Comments
25/10/2021	8:25:29	521	Noticee No. 5 has called Noticee No. 1
25/10/2021	9:25:22	85	Noticee No. 1 call to Emkay dealer
25/10/2021	9:51:18	58	Noticee No. 2's office to Noticee No. 15
25/10/2021	1:24:43	-	Buy order of Noticee No. 2 started
25/10/2021	1:26:34	-	Buy order of *Big Client* started

xi. On October 27, 2021, Noticee No. 5 spoke with Noticee No. 1 for around 10 minutes before market hours and before the orders of the front running leg of the *front runners* or those of the *Big Client* have been placed. Noticee No. 2 and 5 also spoke with each other just before the orders of the first leg of the *front runner* was placed. The timeline on the said date is as follows:

Table No. - 15

Date	Time of Call	Duration (s)	Comments
27/10/2021	8:23:26	592	Noticee No. 5 has called Noticee No. 1
27/10/2021	9:25:22	85	Noticee No. 1 call to Emkay dealer
27/10/2021	9:51:18	58	Noticee No. 2's office to Noticee No. 15
27/10/2021	3:02:14	95	Noticee No. 2 call to Noticee No. 5
27/10/2021	3:19:25	-	Buy order of Noticee No. started

Date	Time of Call	Duration (s)	Comments
27/10/2021	3:22:27	-	Buy order of *Big Client* started

q. The instances of frequent communication between Noticee No. 5 and Noticee No. 1 indicate the possibility of the information pertaining to the impending orders of the Big Client being passed on from Noticee Nos. 1 to 5 through telephonic calls. The information exchange may not always have happened through phone calls and communication of the information may have happened through any of the various applications available in the market for making calls and sending messages, which provide end-to-end encryption and moreover, will not appear in the CDRs.

r. The information related to the impending trades of the Big Client and was being communicated by Noticee No. 1 to Noticee No. 2 through Noticee No. 5, who has then used it to get an unfair advantage.

s. The aforesaid entities can be divided into the following three groups with their number of front running instances and Square off profit (in Rs) as follows:

Table No. - 16

Sr. No.	Group	No. of FR instances	Square off profit (Rs.)
1	Noticee No. 2 and related accounts	164	80.29 lacs
2	Accounts of employee of Noticee No. 2	50	14.16 lacs
3	Accounts of 13 clients of Noticee No. 2	114	111.81 lacs

t. With respect to Noticee No. 2 and related accounts, Noticee No. 2 placed orders in these accounts and in 164 instances, the pattern of front running is observed. The trading profile in these accounts pre-IP and post-IP, is very different compared with the trading during the IP, especially in terms of the intra-day profit that had been earned during the IP. The intra-day profit in the personal account of Noticee No. 2 increased by almost 236% during the IP when

compared with pre-IP. He had not denied any of the identified trades that have taken place in these accounts.

u. With respect to Noticee No. 6 and related accounts (accounts of employee of Noticee No. 2), in 50 instances, the pattern of front running was observed. The trading profile in these accounts, pre-IP and post-IP, is very different compared with the trading during the IP. He had not denied any of the identified trades that have taken place in these accounts.

v. Post-IP, all parameters have reduced substantially. The profit generated from intra-day trades during post-IP is negligible when compared with that during the IP. Noticee No. 6 had accepted during investigation that as and when possible he was mirroring the orders of his boss, Noticee No. 2. They both share the same office space and hence, will be in close proximity and in frequent communication with each other. He is also observed to be in frequent communication with Noticee No. 5 throughout the IP.

w. That Noticee No. 6 was, directly or indirectly, in possession of the details of the impending orders to be placed on behalf of the Big Client, through Noticee No. 2 or through Noticee No. 5. He had then placed orders accordingly in his and his spouse's account to take advantage of these details.

x. With respect to the accounts of the 13 clients where front running pattern has been observed, the alleged front run activity in some of these accounts has taken place in a very short span of time, generated abnormal profit and has then ceased. None of these front running clients had denied the identified front run trades in their accounts. In some clients, the front running activity had commenced immediately after the account has been opened.

y. No sharing of profit had taken place between these clients and Noticee No. 2. For one client, Noticee No. 23, Noticee No. 2 had funded two out of the 6 front run trades in her account. There was fund flow from Puja Jain, spouse one of the clients, Noticee No. 28, to Noticee No. 5, the information carrier in this case. This fund flow had happened after the front running trades have taken place in the account of Noticee No. 27. Both Noticee No. 28 and Noticee No. 5 did not explain this transaction despite several reminders.

z. There was frequent communication between these clients/ spouses of clients and Noticee No. 2. In case of some clients, this communication had taken place around the time the front

running orders. These clients may have, indirectly, been in possession of the details of the impending orders to be placed on behalf of the Big Client, through Noticee No. 2.

aa. The trading in these accounts during the IP was not comparable with the trading carried out during pre-IP. In fact, most of these accounts had been opened only during the IP. Further, in post-IP, the trading in these accounts is negligible when compared with the trading carried out during the IP. More importantly, the last front running trade across all these accounts was carried out on June 29, 2022, and thereafter, no front running pattern had been observed in these accounts.

bb. The 13 clients (i.e. Noticee Nos. 8, 10, 12, 14, 15, 17, 19, 20, 21, 23, 25, 27 and 29) were, directly or indirectly, in possession of the details of the impending orders to be placed on behalf of the Big Client, through Noticee No. 2, who had then placed orders in these accounts to generate abnormal profit for these clients.

cc. That the orders for the first leg of the of the intra-day trades of the *front runners* were entered before the impending orders of the Big Client were placed i.e., the front running leg is in place before the orders of the Big Client have been entered. The second leg of the intra-day trades (the squaring off trades) of the *front runners* had begun by placing orders either prior to the last tranche of the orders of the Big Client or immediately after it i.e., the squaring-off leg were already in place to encash the likely impact of the impending large order of the Big Client on the scrip price.

dd. In view of the above facts, the following scheme of front running is observed:

i. Noticee No. 1, being privy to the details of the impending orders of the *Big Client* was in connection with Noticee No. 2, the *main Front Runner*, through Noticee No. 5, who is an employee of Noticee No. 2. There is frequent communication between Noticee No. 1 and Noticee No. 5 during the *IP* and both have accepted that their discussions with each other were to seek stock market related intelligence. On the basis of preponderance of probability, it can be concluded that Noticee No. 2 had access to the information of the impending orders of the *Big Client* from Noticee No. 1, through Noticee No. 5.

ii. The information of the impending orders of the *Big Client* had been passed on by Noticee No. 1 to Noticee No. 2 through Noticee No. 5.

iii. The trading pattern of the *front runners* follows the classic pattern of front running where the front running leg of the *front runner* (i.e., the first leg) is already in place before the orders of the *Big Client* are placed. Similarly, the orders of the squaring off leg (i.e., the second leg) begin by placing orders before the last tranche of the orders of the *Big Client* have been placed.

iv. Comparison of the trading profile of the *front runners* during the *IP* with the trading done during pre-*IP* shows substantial increase in intra-day trading and substantial increase in square-off profit. From the trading done post-*IP*, it was observed that for all the *front runners*, the trading has substantially reduced from what it was during the *IP*. Further, the last front running trade across all *front runners* was on June 29, 2022, i.e., the date on which initial query was sent by SEBI to the *Big Client* in the matter.

v. Comparison of trading particulars on common scrip days with non-common scrip days indicates that the *front runners* have made substantial square-off profit on the days when they have traded in common scrips with the *Big Client*.

vi. Front runners have traded in substantial quantities in scrips in the front running instances when compared with quantities traded in that scrip in prior period, which is indicative of the possibility that the *front runners* had access to certain information that led them to increase the traded quantity.

vii. The orders placed in the accounts of Noticee No. 2 and in the accounts related to/ associated with him have front run the orders of the *Big Client*.

ee. The *front runners* played a vital part in the execution of these front running trades from their trading accounts or trading accounts of their respective spouses or HUFs.

ff. Unlawful gains: That total wrongful gains of Rs. 2,06,25,679.95/- have been observed to be generated from the scheme of front running in account of Noticee No. 2, 3, 4, 5 and Noticee Nos. 6, 7, 8, 10, 12, 14, 15, 17, 19, 20, 21, 23, 25, 27 and 29.

gg. Noticee No. 6 has accepted having placed orders in his trading account and in the trading account of his wife (Noticee No.7) during the IP. Therefore, he and his wife, both are liable for the unlawful gains generated from these trades.

hh. There was frequent communication between these Noticees or their respective spouses and Noticee No. 2. In case of some of these Noticees, such communication has taken place around the time the alleged front running orders have been placed. These Noticees may have,

indirectly, been in possession of the details of the impending orders of the Big Client, through Noticee No. 2.

ii. The front running activity in some of these accounts has taken place in a very short span of time, generated abnormal profit and has then ceased. In some clients, the front running activity has commenced immediately after the account had been opened.

jj. While certain of these Noticees have claimed to have visited the office of Noticee No. 2 to place the orders, some have claimed that Noticee No. 2 had assured them of profits in their accounts and that they have not placed any orders. However, none of these clients have denied the abnormal profit that has been generated in their trading accounts in such a short span of time. None of these clients have claimed that these trades are unauthorized.

kk. In the case of Noticee No. 23, Noticee No. 2 has funded two of the front running trades in her accounts by giving a loan to her husband, Mahesh Bohra.

ll. Noticee Nos. 23 and 25 have submitted that their respective spouses viz. Noticee Nos. 24 and 26, were handling their trading account. It was observed that there was communication between Noticee Nos. 24 and 26 with Noticee No. 2.

mm. In the case of Noticee No. 28, there is an unexplained fund transfer from his spouse, Puja Jain to Noticee No. 5, the information carrier and employee of Noticee No. 2. This fund transfer has happened after the alleged front run trades have happened in the account of Noticee No. 27.

nn. In view of the above, these 13 front running clients and spouses of some of them are also part of the scheme of front running along with Noticee No. 2 and each *front runner* is liable for the orders placed in their accounts and for the unlawful gains generated from these trades.

Show Cause Notice to Angel One and its settlement.

10. The investigation also, *inter alia*, observed *qua* Angel One the following:

a. That all the alleged *front runners* barring two Noticees (Noticee Nos. 6 and 7) had executed their front running trades through Angel One.

b. Noticee No. 2, the AP of Angel One, was alleged to be the main *front runner* of the front running orders executed.

c. That the orders executed in the accounts of the clients of Noticee No. 2 were done without maintaining a record of the order instructions given by the clients, as is mandated by SEBI in its circular bearing no. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018.

d. That the signatures on the order instruction sheets were taken after the orders were executed.

e. That AP had not maintained record of the pre-order placement and had obtained such documents from the clients after the orders were executed.

f. In terms of Clause 7 (a) of Annexure –1 to the SEBI Circular dated November 06, 2009 on "Market Access through Authorized Persons", the stock broker shall be responsible for all the acts of omission and commission of his APs and / or their employees, including liabilities arising there from.

g. Angel One had failed to maintain proper record of execution of trades of clients in the form of Voice Recording System (VRS) to record placement of orders by the clients through its AP and to maintain order sheets with time stamp indicating the time when the order for trade was placed by its client. Therefore, it was alleged that the Noticee had violated the provisions of SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 and MIRSD/ DR-1/ Cir-16/09 dated November 06, 2009 and thereby allegedly failed to exercise due skill and care and further failed to comply with statutory requirements.

11. And in view of these observations, a separate show cause notice dated April 24, 2024 was issued upon Angel One calling upon it to show cause as to why an inquiry should not be held against it in terms of Rule 4 of the Adjudication Rules and why suitable monetary penalties under Section 11B(2) read with Section 15HB of the SEBI Act and Regulations 26 (iii), (xv) and (xvi) of SEBI (Stock Brokers) Regulations, 1992, should not be imposed on it for the alleged violations of the provisions of SEBI Circulars viz. SEBI/HO/MIRSD/DOP1/CIR/P/2018/54 dated March 22, 2018 and MIRSD/ DR-1/ Cir-16/09 dated November 06, 2009 and Clauses A(2) and A(5) of Code of Conduct as specified under Schedule II read with Regulation 9(f) of the SEBI (Stock Brokers) Regulation, 1992. Angel One filed its settlement application for settlement of the proceedings initiated vide the SCN dated April 24, 2024 issued upon it. The said proceeding was disposed of vide settlement order dated September 27, 2024 on payment of Rs. 21,64,500/- (Rupees Twenty-

One Lakh Sixty-Four Thousand Five Hundred Only) by it towards settlement amount and further taking '*corrective action/ measures.'*

Impending Settlement Proceedings in these proceedings.

12. All the Noticees herein alongwith Noticee Nos. 1 to 5 and 25 filed settlement applications starting from May 06, 2024 under Regulation 3(1) of the Settlement Regulations, proposing to settle the instant proceedings through a settlement order without admitting or denying the allegations. The proceedings commenced vide the SCN dated January 24, 2024 *qua* Noticee Nos. 1 to 5 and 25 was disposed of vide settlement order dated December 19, 2024 on the following settlement terms:

Table No. - 17

Entities/ Applicant(s)	**Settlement Terms**
Noticee No. 1	• ₹55,90,000/- (Rupees fifty-five lakh ninety thousand) as the settlement amount. • ₹1,06,25,679.95/- (Rupees one crore six lakh twenty-five thousand six hundred seventy-nine and ninety-five paise) along with simple interest of 12% per annum from the date of the impugned transaction to the date of filing of the settlement application for disgorgement. • undertaking to be debarred from the securities market and to not be associated with any listed entity or registered intermediary, for a period of 6 months.
Noticee No. 2	• ₹64,29,371/- (Rupees sixty-four lakh twenty-nine thousand three hundred and seventy-one) as the settlement amount. • ₹50,00,000/- (Rupees fifty lakh only) along with simple interest of 12% per annum from the date of the impugned transaction to the date of filing of the settlement application for disgorgement. • undertaking to be debarred from the securities market and to not be associated with any listed entity or registered intermediary, for a period of 6 months.
Noticee No. 3	• ₹57,20,000/- (Rupees fifty-seven lakh twenty thousand) as the settlement amount. • undertaking to be debarred from the securities market for a period of 6 months.

Noticee No. 4	• ₹57,20,000/- (Rupees fifty-seven lakh twenty thousand) as the settlement amount. • undertaking to be debarred from the securities market for a period of 6 months.
Noticee No. 5	• ₹ 57,20,000/- (Rupees fifty-seven lakh twenty thousand) as the settlement amount. • ₹ 50,00,000/- (Rupees fifty lakh only) along with simple interest of 12% per annum from the date of the impugned transaction to the date of filing of the settlement application for disgorgement. • undertaking to be debarred from the securities market and to not be associated with any listed entity or registered intermediary, for a period of 6 months.
Noticee No. 25	• ₹57,20,000/- (Rupees fifty-seven lakh twenty thousand) as the settlement amount. • undertaking to be debarred from the securities market for a period of 6 months.

13. The settlement proposals of other Noticees (Noticee Nos. 6-24 and 26-30) were rejected and intimated on December 05, 2024. Accordingly, the allegations in the SCN does not survive *qua* Noticee Nos. 1, 2, 3, 4, 5 and 25; and Angel One. Thus, the proceedings commenced vide SCN January 24, 2024 upon the Noticee Nos. 6-24 and 26-30 listed hereinabove was continued for disposal.

Inspection of documents, replies and hearing

14. All these Noticees herein inspected the records/ documents (which are relevant and relied upon by SEBI while issuing the SCN) on different dates for more than a year starting from May 27, 2024 to June 05, 2025 and pursuant to completion of inspection, the Noticees filed their replies (and written submissions); availed of opportunity/ies of hearing/s being represented by their respective authorised representative or self, on different dates during March 01, 2025 till August 14, 2025 and filed additional submissions till October 06,2025, as detailed in the following table:

Table No.- 18

Noticee No.	**Date of inspection of documents**	**Date of reply/ receipt of reply**	**Date of hearing (Represented by Authorised Representative/ Self)**
6	June 05, 2025	August 14, 2025	

7	June 05, 2025		August 13, 2025 (Advocate Piyush Kaushal) and August 14, 2025 (Advocate Abhiraj Arora, Advocate Piyush Kaushal and Advocate Sanskriti Shivangi). Additional submission on October 06, 2025
8	May 27, 2024	February 24, 2025	March 04, 2025 (Advocate Deepak Shane)
9		February 24, 2025	March 04, 2025 (Advocate Kunal Katariya)
10			
11	October 01, 2024	April 29, 2025	August 13, 2025 (Dipesh Mehta on behalf of self and HUF)
12			
13	October 01, 2024	April 29, 2025	August 13, 2025 (Piyush Mehta on behalf of self and HUF)
14			
15 -22	October 01, 2024	March 31, 2025	March 05, 2025 and August 13, 2025 (Pinakin Hansraj Shah and Raahul Hansraj Shah on behalf of self and Noticee Nos. 15, 16, 17, 19, 20 and 21)
23	October 01, 2024	March 01, 2025	March 07, 2025 (Advocate Rinku Valanju and Advocate Amit Kumar)
24	October 01, 2024		
26	June 05, 2025	August 14, 2025	August 13, 2025 (Advocate Piyush Kaushal) and August 14, 2025 (Advocate Abhiraj Arora, Advocate Piyush Kaushal and Advocate Sanskriti Shivangi). Additional submission on October 06, 2025
27	June 05, 2025	August 21, 2025	August 13, 2025 (Advocate Piyush Kaushal) and August 14, 2025 (Advocate Abhiraj Arora, Advocate Piyush Kaushal and Advocate Sanskriti Shivangi). Additional submission on October 06, 2025
28	June 05, 2025		
29	October 01, 2024	March 01, 2025	March 07, 2025 (Advocate Rinku Valanju and Advocate Amit Kumar)
30	October 01, 2024		

Inquiry.

15. Pursuant to the said settlement order dated December 19, 2024, the SCN is outstanding in respect of remaining 24 Noticees. Some of these Noticees have submitted voluminous submissions and further the submissions of many of the Noticees contain common contentions/ arguments. As such in the interest of brevity and to avoid repetitions, the submissions of the Noticees have been examined with regard to the allegations in the SCN. Further the submissions of the Noticees have been grouped together wherever possible to avoid repetition.

16. Since, apart from civil directions under Sections 11 and 11B of the SEBI Act, the SCN has also invoked inquiry and adjudication under Sections 11(4A) and 11B(2) read with Section 15HA of the SEBI Act, it is imperative to also follow requirements under the Adjudication Rules for inquiry under Rule 4 thereof. In this regard, I have carefully considered the allegations made in the SCN, the replies and submissions of the Noticees and the documents such as the investigation report, relied upon in the matter. I note that none of the Noticees have disputed the alleged trading or connection with Noticee No. 2. The only dispute apart from technical objection, is that except Noticee Nos. 6, 7, 23, 24, 27, 28, 29 and 30 all other have pleaded ignorance of having received the impugned non-public information about impending orders of the *Big Client* and have submitted that they only allowed Noticee No. 2 to trade in their respective accounts/ their spouse's/HUF's accounts, as the case may be. Considering these facts and circumstances and also that the proceedings are also under Section 11 and 11B (1), I deemed it appropriate to proceed with matter for determination of the allegations and allowed personal hearings and filing of additional replies as discussed hereinabove.

Consideration of technical objections and findings

17. The Noticees have, *inter alia* raised technical objections raising detailed submissions, regarding the issuance of the SCN, manner of proceedings, and settlement order having been passed in respect of the "*main front runner*"; etc. Capturing the factual matrix as above, I deem it appropriate to first deal with the technical objections raised by the Noticees issue wisebefore dwelling into the merits of the case.

Delay in issuance of SCN.

18. Noticee Nos. 23, 24 and 29 and 30 have contended that the present proceedings are tainted by delay and latches as there is an inordinate, unreasonable and unjustified delay of 3 years in issuing of SCN as the investigation period starts from January 01, 2021 but the SCN is issued on January 24, 2024. These Noticees have placed relied on the following orders of Securities Appellate Tribunal (SAT):

    a. ***Rakesh Kathotia v. SEBI (Appeal No. 7 of 2016 dated May 27, 2019)***
    b. Libord Finance Ltd. v. SEBI (2008 86 SCL 72 SAT)
    c. ***Ashlesh Gunvantbhai Shah v. SEBI (Appeal No. 169 of 2019, dated January 31, 2020)***

19. I note that the courts including Hon'ble SAT and Hon'ble Supreme Court (SC) have held that the decision should be taken within reasonable time and the unconscionable delay, laidback and indolent approach on the part of SEBI in dealing with the enforcement matters do not augur well and to drag its feet and indulge in unwarranted and unjustified delays could lead to dismissal of the SCNs. However, it is not a straitjacket rule that any contention of delay will be allowed to be a reason for taking leniency much less dismissing the SCN. In my view, none of the judgements cited by these Noticees are of any help to them.

20. Where a complex case involving several transactions between a web of entities is under investigation, SEBI cannot be expected to complete the case in a lightening time. In similar circumstances, Hon'ble SAT in the matter of ***Girrajkumar Gupta HUF v. SEBI*** (Appeal no. 424/2019) vide its order dated August 11, 2021, has, *inter-alia*, observed that "*We find that the investigation started in the year 2015 which involved examining several entities in the order logs, trade logs, off market transactions and gathering evidence from the Stock Exchange…….. and accordingly we find that there is no inordinate delay in the initiation of the proceedings."* This observation of Hon'ble SAT is germane to the facts of the instant case too. In this case, the matter was under detailed investigation of several transactions by several entities and SEBI was acting reasonably.

21. I note that the investigation in the matter has been conducted for the trades done by the Noticees for the period from January 01, 2021 to October 31, 2022. In this respect, the time taken by SEBI in issuance of the SCN from the alleged front running activity is around 14 months and not 3 years as alleged by the Noticees. It was only in May 19, 2023 that NSE had identified that orders placed in three trading accounts belonging to *Big Client* have been front run. Investigation had to be done

for the trades done by a large number of Noticees, spread over a period of 22 months, the examination of which is a time consuming and tedious exercise. Further from the record, I note that since July 2022 till July 2023, SEBI had been in constant communication with the Noticees seeking relevant information/ clarifications, recording their statement on oath before the Investigating Officer, etc. After conclusion of the investigation, an SCN dated January 24, 2024 was issued upon the Noticees. I am hastened to observe that the Noticees themselves have adopted dilatory tactics. They have taken more than one year for inspection of documents which was of not much help to them as nothing material has been submitted in their replies based on any documents inspected by them. Further, some of the Noticees delayed the inspection and made request in this regard only after their settlement application was rejected. It is settled position that one who seeks justice must come with clean hands. It is no more *res integra* that "clean hands' doctrine is applicable with full force to every proceeding before any forum. In this case, the conduct of the Noticees in the proceedings is demonstrated otherwise. Considering all these facts, I find that the contention of the Noticees is without any merit and reject them accordingly.

SCN not issued in accordance with Adjudication Rules.

22. Noticee Nos. 6, 7, 26, 27 and 28 have raised an objection that the SCN is not issued in accordance with the Adjudication Rules as:

a. the SCN has not been issued by an Adjudicating Officer (AO) appointed under Rule 3 of the Adjudication Rules. The SCN has been issued by an officer of the Investigations Department of SEBI, who is not an AO, and is different from Quasi- Judicial Authority (QJA) herein;

b. The SEBI officer is the same officer who conducted the investigation and the issue of SCN by the same officer is a contradiction of the principles of natural justice, *nemo judex in causa sua*, i.e., no person should be a judge in his own cause;

c. The SCN ought to have been issued by an AO of SEBI.

d. That the Adjudication Rules concern the procedure for adjudication of disputes by an adjudicating officer and no specific rules have been prescribed for proceedings by QJA or a Whole Time Member ('WTM').

e. That the procedure for levying a penalty by an AO is laid out in detail in the Adjudication Rules. However, the procedure to be followed in a matter where a direction may also be issued,

either by WTMs or QJAs, has not been prescribed by SEBI. As the present proceedings contemplate the issuance of penalty, SEBI is bound to abide by procedure prescribed under the Adjudication Rules. Thus, the SCN has not been issued by following the prescribed procedure under law and should be set aside

23. The Noticees have relied upon the order dated February 21, 2011 passed by Hon'ble SAT in the matter of Premchand ***Shah and Others v. SEBI (Appeal No. 192 of 2010)*** wherein SAT has stated that when a law prescribes a specific procedure to be followed, then it must necessarily be followed. That the Adjudication Rules concern the procedure for adjudication of disputes by an adjudicating officer and no specific rules have been prescribed for proceedings by QJA or a WTM. In the matter of ***Hamraj fashions Consultants P. Ltd. v. SEBI*** (Appeal No. 383 of 2021), vide an Order dated June 17, 2021, Hon'ble SAT directed SEBI to consider framing of rules/ procedure/ guidelines/ circulars for the purpose of service and procedure for inquiry by WTMs.

24. Vide an email dated October 06, 2025, the AR for Noticee Nos. 6, 7, 26, 27 and 28 has made further submission to substantiate above contentions relying upon the judgement dated February 07, 2025, of Hon'ble Delhi High Court in ***Deloitte Haskins & Sells LLP v. Union of India and Ors***. These Noticees have relied on para nos. 316 and 317 of the said Judgement, which read as follows:

"316. ...But for the separation of those powers, one would be inevitably faced with the possibility of one branch discharging dual and overlapping roles. This clearly exposes the authority to the charge of a predilection to affirm, the tendency to shut out a challenge to an opinion already formed and disregard the weight of argument aimed at convincing one to review and re appreciate. It would thus be akin to what we in law term as the useless formality theory- an appeal from Caesar to Caesar's wife. This in addition to such a procedure clearly becoming susceptible to the possibility of a person reasonably and justifiably viewing the same as being unfair and violating the golden principle of justice not only being done but being visibly and perceivably served.

317. As is evident from the various disclosures which were made by the NFRA before us, it was the Executive Body which was involved and engaged at all stages of the drawl of the AQRR as well as the formation of the opinion that action in terms of Section 132(4) was liable to be initiated. The mere fact that in the course of this exercise, it was assisted by certain other officers is, in our considered opinion, wholly irrelevant, since the ultimate formation of opinion was one which was of the Executive Body as a whole. The petitioners could have thus reasonably harboured an apprehension of lack of neutrality and potential bias."

25. In order to deal with such contentions, it is pertinent to briefly mention the scheme of civil enforcement powers of SEBI under the SEBI Act. It is pertinent to note that the SEBI Act enables SEBI, *inter alia,* to take following civil enforcement actions under its different provisions: -
    a. Directions under Section 11(1), 11(4) and 11B (1);
    b. Cease and Desist order under Section 11D;
    c. Monetary penalties under Section 11B (2) read with Section 11(4A);
    d. Suspension /cancellation of certificate of registration of registered and/or regulated entities and other direction against them under Section 12(3); and
    e. Monetary Penalty under Chapter VIA.

26. While monetary penalty under Chapter VIA can be imposed by an AO appointed under Section 15I (1) of the SEBI Act, the monetary penalty under said Chapter VIA can also be imposed by the Board under Section 11B (2) read with Section 11(4A) of the SEBI Act; while deciding a case under Section 11, 11B (1) and 11(4) for any civil directions. The procedure for adjudication by AO under Chapter VIA or by the Board under Sections 11B (2) read with Section 11(4) is prescribed in the Adjudication Rules. These Rules have been prescribed as mandated by Section 29(1) (da) read with Section 15I (1) and Section 11B (2) read with Section 11(4A) of the SEBI Act. For civil action against registered and/or regulated entities, Section 30 (2)(d) of the SEBI Act mandates for making Regulations for procedure to be followed by the Board. For this purpose, procedure has been laid down in the SEBI (Intermediaries) Regulations, 2008. For the civil directions under Section 11, 11B (1), 11(4) and 11D, the SEBI Act does not mandate any rules of procedures by way of Rules or Regulations. It is a settled position that where no Rules for procedure is prescribed, the rules of fairness and principles of natural justice shall apply. The proceedings for the civil directions under Section 11, 11B (1), 11(4) and 11D, the SEBI Act are, thus, dealt with by SEBI in accordance with settled principles of natural justice and rules of fairness.

27. Rule 4 of Adjudication Rules deals with issuance of SCNs. As per this Rule, *´the Board or the adjudicating officer´* is authorized to issue the SCN. Where the case is exclusively assigned to an Adjudicating Officer under Section 15I, only the said AO can issue the SCN. However, when the case is under Sections 11, 11B (1), 11B (2) and Section 11(4) read with Section 11(4A), the SEBI Act or the Adjudication Rules do not mandate that entire Board of SEBI should issue the SCN. If it is interpreted to mandate entire Board to issue the SCN for said cumulative actions, it would give absurd result and would defeat the purpose of delegation under Section 19 of the SEBI Act.

28. While commencing the proceedings under Section 11B (1) and (2) and Section 11(4) read with Section 11(4A), the power of the Board to issue directions and also impose monetary penalties has

been delegated to its WTMs and QJAs. The other arrangement of delegation is that the SCNs under these sections can be issued with approval of WTMs/QJAs, as the case may be. This arrangement, in my view, does not violate the SEBI Act or any Rules and Regulations made thereunder. The arrangement by delegation under Section 19 has been settled vide the judgement of Hon'ble Kerala High Court in the matter of ***BRD Securities Ltd. v. Union of India***[2] ***(Delivered on: 25-5-2022).*** In that case, the SCN was issued by an officer of the Board pursuant to delegated authority. The writ petition was preferred, when the hearing of the petitioner was scheduled before the Chief General Manager of SEBI, in place of the WTM of the Board. It was argued that quasi-judicial functions being performed by the authorities designated under the enactment cannot be delegated or sub-delegated to the officers and the same falls beyond the bounds of "*permissible delegation*". Multiple judgments, authorities of the Hon'ble SC, foreign judgements, etc. were cited to assert the said proposition. However, referring to Section 19 of the SEBI Act, and the judgments of the Hon'ble SC in ***Saurashtra Kutch Stock Exchange Ltd v. SEBI***[3], it was held that delegation dated September 30, 1994 issued by SEBI delegating the powers of adjudication and quasi-judicial functions under Section 11 to full-time members of the Board is valid. Interpreting Section 19, it was held that challenge against delegation of powers to a permanent/full-time member of the Board cannot be found fault with and the fact that the members of the Board appointed by the Central Government and Reserve Bank, whilst the officers to whom the delegation is affected are appointed by the Board will not render the delegation bad. A public authority is always at liberty to employ agents to exercise its powers. Referring to the judgments of ***Newtech Promoters and Developers (P) Ltd. v. State of U.P***[4]**.** judgment on *pari materia* provision under Section 81 of the Real Estate (Regulation and Development) Act, 2016. Referring to this provision, it was held that through an express provision in the statute, delegation of such quasi-judicial powers can be duly affected. In the Indian context, the delegation of quasi-judicial functions is permissible if the statute provides a sub-delegation, and in the SEBI Act, Section 19 so authorises SEBI to delegate such powers. Accordingly, the challenge to the delegation order passed by the SEBI of quasi-judicial functions to its Chief General Manager was rejected and writ petition also accordingly dismissed.

29. It could be ideal to prescribe Rules/ Regulations for these civil directions too as suggested by Hon'ble SAT in ***Hamraj fashions Consultants P. Ltd. v. SEBI*** (supra) but it does not vitiate the proceedings if the SCN in respect of the above cumulative actions is issued by an officer of the Board with due delegation and the order is passed by WTM/QJA pursuant to scheme of delegation under Section 19 of the SEBI Act. The principle *nemo judex in causa sua,* i.e., no person should be

[2] *2023 SCC OnLine Ker 3529*
[3] *(2012) 13 SCC 501*
[4] *2021 SCC OnLine SC 1044.*

a judge in his own cause does not apply in this situation when the action is taken by the Board through its WTMs/QJAs pursuant to delegation under Section 19 of the SEBI Act. The civil proceedings under the SEBI Act are inquisitorial one and not an adversarial one where two opposing parties present their cases to a neutral judge or jury with the truth emerging from the contest between them.

30. I note that in the ***Deloitte Haskins*** case (*Supra*) Hon'ble Delhi High Court quashed the SCNs' and final orders assailed therein, *inter alia,* observing that the procedure followed by National Financial Reporting Authority in those cases lacked attributes of neutrality and a dispassionate appraisal. The relevant observations of the Hon'ble Delhi High Court in para nos. 333 and 334 of the said judgement are as follows:

"333. We are thus of the firm opinion that the Executive Body could not have discharged the dual role of rendering findings of guilt and violation of the SAs' while authoring the SQARR/AQRR and thereafter don the mantle of the division which is contemplated under Rule 11. The assessment of whether circumstances warranted a disciplinary enquiry being initiated was statutorily liable to be undertaken by a unit of the NFRA separated from the one which drew up those reports. This since, the Act and the Rules clearly contemplate a separation of functions between different constituents of the NFRA. Notwithstanding what may be observed in those reports, the law would contemplate and require a decision to initiate disciplinary action being arrived at impartially and independently. The procedure which NFRA chose to follow in these cases clearly lacked attributes of neutrality and a dispassionate appraisal.

334. The doctrine of necessity has also been found to be inapplicable since it was open for the NFRA to have constituted separate units which could have discharged the functions statutorily envisaged. Since the body of persons which penned the reports and took a decision to initiate proceedings under Rule 11 was one and the same, the procedure is found to be in clear violation of the reasonable likelihood of bias test. An informed observer would be justified in alleging predisposition, predetermination and an inclination to affirm against that body. We have also borne in consideration the damning and conclusive findings of guilt and infraction which came to form part of the AQRR and essentially shut the doors on an independent and impartial evaluation of the infractions which were alleged to have been committed. We are thus convinced that these facets have ineffaceably tainted the proceedings impugned before us."

31. The above judgement came to be delivered in a situation where the person who penned the reports and took a decision to initiate proceedings was one and the same. However, in the SEBI proceedings, the persons drawing the reports are different than authorities taking decision to initiate proceedings. The investigation report is prepared by the Investigation Officer and the approval to initiate the proceeding is being given by WTM. In addition, the SCNs in these proceedings are

issued with the approval of QJAs (as a delegatee of the Board). Both these authorities (WTM as well as QJA) rank higher than the Investigation Officer and enjoy independence in their authority in quasi-judicial proceedings. Therefore, in my view the said Judgement is not relevant to the present proceedings and is not of any help to these Noticees as the scheme of the SEBI Act and procedures followed in the proceedings are legal and valid in view of the above analysis.

32. I, therefore, reject all the contentions of these Noticees in this regard and hold that no prejudice is caused much less any procedural infirmity as contended by them. It is not out to place to mention here that the procedure adopted by SEBI under Sections 11, 11B and 11D, as the best practice, are in full compliance of principles of natural justice and have been recognized and upheld in plethora of judgements delivered by Hon'ble SAT, Hon'ble High Courts and the Hon'ble Supreme Court.

Charge not sustainable due to settlement order dated December 19, 2024.

33. Noticee Nos. 23, 24, 26, 29 and 30 have contended that since by the Settlement Order dated December 19, 2024, the main charge against the main perpetrators viz; Noticee Nos. 1, 2, and 5 in the present SCN have been disposed of without conclusive findings, they cannot be held to have any knowledge about the impending orders/ trades as alleged in the SCN as the main linkage is broken. The alleged tipper, tippees, information carrier, etc. have been let off by settlement order dated December 19, 2024 without any admission or denial of allegation. If nothing is proved, the whole charge against these Noticees does not survive as information exchange cannot be proved. If no charge is established against Noticee No. 2 who is alleged to be link for information exchange with these Noticees, no proceeding/ charge of front running can sustain *qua* them.

34. They have further contended that, on one hand, SEBI has settled the matter with the Angel One who provided the trading platform to its AP, Noticee No. 2 to execute alleged front run trades but, on the other hand, SEBI has dragged innocent investors like these Noticees. In this respect, SCN *qua* the Noticee becomes *malice* as the matter has been settled between the main perpetrators. The Noticees have relied upon observations in para 19 of the judgement of the Hon'ble SC in ***SEBI v. Kanhaiyalal Baldevbhai Patel*** to contend that since Noticee No. 2 has been allowed to settle the matter, there remains no tipper and in the absence of a tipper, the Noticees cannot be treated as tippees, accordingly the allegations in the SCN does not survive. They have also relied upon SEBI Order dated April 30, 2025 in the matter of trading activities of certain entities in the scrip of ***Atlantaa Limited*** to state that as the Noticee's spouse has settled the proceedings initiated by SEBI, the proceeding against Noticee do not survive.

35. It is noted that the allegations of front running of the Noticees herein are closely interlinked, interwoven and intertwined with the allegation that Noticee No. 2, the *'main front runner'* had access to the information of the impending orders of the *Big Client* from Noticee No. 1, through Noticee No. 5 and front run the trades himself and was instrumental in trades of other Noticees herein, who are allegedly related to/ associated with him, and who either traded or lent their accounts for alleged front running. Admittedly, the main basis of charge against these Noticees (in para 80.4 of the SCN) is - *"There is frequent communication between these clients/ spouses of clients and Jitendra Kewalramani. In case of some clients, this communication has taken place around the time the FR orders have been placed. Hence, these clients* ***may have****,* ***indirectly****, been in possession of the of the details of the impending orders to be placed on behalf of the Big Client, through Jitendra Kewalramani."* The foundation is thus that the alleged front running by these Noticees were on the basis of information exchange regarding non- public information from Noticee No. 2 to them.

36. However, in view of the settlement order dated December 19, 2024, no adverse findings can be given in respect of conduct of Noticee Nos. 1-5 and 25 as they have settled the allegations against them without admitting or denying the allegations and the matter reaches to an obfuscated situation that the necessary link of intertwined scheme breaks and the matter has to be adjudicated based on *prima facie* and inferential allegations to arrive at final conclusions against second degree of parties whose settlement application have been rejected. As per practice, in the settlement order (in para 4), like any other settlement orders of SEBI, it is unequivocally confirmed that the settlement terms of Noticee Nos. 1, 2, 3, 4, 5 and 25 were without admitting or denying the guilt. Such orders also declare that *"SEBI shall not initiate any enforcement action against the Applicants with regard to alleged violations as alleged in the SCN."*. On the other hand, unless the act and conduct of Noticee Nos. 1, 2 and 5 is examined; no allegation may be established against other Noticees herein. Regulation 27 of the Settlement Regulations provides for answer to this situation as it allows to make necessary observations in respect of the entities who have settled the same proceedings by way of a settlement order so as to prove the act of another. Therefore, I cannot but reject these contentions. However, it is further clarified that any observations *qua* those Noticees who have settled the allegations against them shall not be construed to draw any adverse inference or findings against them.

37. Noticees have relied on the judgement in the matter of ***SEBI v. Kanaiyalal Baldevbhai Patel (supra),*** in support of their contentions that if Noticee Nos. 1, 2 and 5 have settled the allegations against them, the SCN does not sustain against other Noticees. I note that in para 19 of the said judgement, Hon'ble SC held that front running comprises of at least three forms of conduct, namely,

a. Trading by third parties who are tipped on an impending block trade ("*tippee*" trading);

b. Transactions in which the owner and purchaser of the block trade himself engages in the offsetting futures or options transaction as a means of "hedging" against price fluctuations caused by the block transaction ("self-front-running");

c. Transactions placed by a person with knowledge of an impending customer block order trades ahead of that order for his own profit ("trading ahead").

38. In the said para 19, there are no findings that create any bar on proceeding in a matter wherein the tipper has settled the allegations *qua* him as contended by these Noticees. I further note that in its aforesaid Judgement Hon'ble SC further held that the parting of information with regard to an imminent bulk purchase and the subsequent transaction are intrinsically connected with both the initiator of the fraudulent practice and the person who knowingly aided in the same having joint liability. Thus, settlement of allegations in respect of certain inter connected entities in such matters does not automatically extinguish the allegations *qua* those entities who did not file for settlement or whose settlement applications have been rejected / withdrawn.

39. I note that observation in ***Atlantaa Limited (supra)*** has to be seen in the context of that case wherein the charge on directors of Monarch Networth Capital Ltd. (Monarch) was based on vicarious liability of directors for the act of Monarch. When the allegation against Monarch was settled by settlement order the directors cannot be held vicariously liable for the alleged default of Monarch in respect of which the settlement order has been passed. The elucidation in paragraph relied upon by the Noticees and other paragraphs were made in the context of the case at hand in light of the specific facts and cannot be taken as biding precedent. In the instant case, the Noticees are responsible for their individual acts, if found guilty. Hence, the reliance placed on case of ***Atlantaa Limited*** is also misplaced. The settlement order passed in respect of Angel One has no relevance to the case of these Noticees at all.

Proceedings vitiated on account of not providing order and trade log of the Big Client.

40. Learned AR for Noticees 23, 24, 29 and 30 has also contended that order and trade log of the *Big Client* is crucial and relevant document to prove the allegation. SEBI has provided these Noticees, only the analysis of trades of these Noticees in terms of number of trades and timing of their trades. It is only the order log and trade log of the *Big Client* that can show trading timelines as to whether

their trades occurred ahead of the *Big client's* order while possessing the non- public information about orders of the *Big Client*. It is relevant because *Big Client*'s logs provide the necessary time stamped data to compare with the Noticees's trade logs to refute the sequence of trades alleged by SEBI.

41. I note that, in this case, the detailed analysis of the trades of the *Big Client* and trades of these Noticees has been done in the Investigations Report and shared with these Noticees. The analysis clearly identifies suspicious trading patterns, such as BSB and SSB, to allege front-running. The complete analysis shared with them shows the series of the *Big client's* orders, not just its isolated trades. I further note that the relevant data relating to the front running instances executed from the trading account of these Noticees or by them in the trading accounts of their respective spouse/ HUF has been provided to them. Further, since sharing trade logs of the *Big Client* is prone to misuse of the confidential information relating to its trading strategy or its trade secrets and also its counter parties, the request for providing order and trade log of the *Big Client* was not acceded to. The details forming the basis of the allegation made against the Noticees have been provided to these Noticees and they have neither denied receipt of the same nor did they question the legitimacy of the data. Accordingly, in my view, the contention that the above led to violation of natural justice is devoid of merit and cannot be accepted. It is also relevant to mention that these Noticees have not claimed trading based on their independent market research or publicly available information or different trading strategy to show any exculpatory context. This is also not a case to even suggest that other market participants were having same trading pattern. It is also not a case of claiming, with certainty based on evidence, that their trades were miniscule as compared to their large number of trades with same frequency of trading with same pattern pre and post *IP*. It cannot be just a coincidence that a group of traders having connection and regular contact and communication with information carrier would trade with similar trading pattern for longer time and would abruptly stop the trading pattern when inquiry is made by SEBI.

Cross examination.

42. Noticee Nos. 23, 24, 29 and 30 have requested for an opportunity to cross examine Noticee No. 2 contending that he had made false and fabricated statement before SEBI and the statement has been relied upon by SEBI in order to establish the charge of front running. They have contended that SEBI has unfairly rejected the requests of the Noticees for cross examination of Noticee No. 2. It is noted that in the present matter SCN dated January 24, 2024 was issued upon the Noticees, no replies to the said SCN were initially received and these Noticees also made a settlement application to SEBI for settlement of the allegations *qua* them on May, 2024 which consumed substantial time

when the Noticees avoided filing of reply to the SCN despite being advised to do so in the SCN itself.

43. On the passage of considerable time since the issue of SCN, an opportunity of hearing was granted to these Noticees on August 07, 2024 and August 09, 2024 by the then competent authority. Instead of appearing for the hearing, these Noticees sought inspection of documents which was allowed and scheduled on September 04, 2024. These Noticees, however, avoided the inspection of documents despite seeking adjournment of the date in this regard. After seeking adjournments, finally they inspected the documents on October 01, 2024. After inspection of documents also these Noticees did not file their reply although a substantial time had elapsed since the issuance of the SCN on January 24, 2024. Therefore, another opportunity was given to them to submit their defence by filing reply and avail the opportunity of personal hearing scheduled on December 16, 2024. Again instead of filing reply, these Noticees for the first time came with a new request for cross examination of Noticee No. 2 and did not file their reply. The request for cross examination made by them was vague and abrupt without giving any cogent reasons and was noted to be used as a trickery to delay the proceedings. Hence, this request was denied.

44. Pending the consideration of the request of the Noticees, on December 05, 2024, it was informed to me that the settlement applications of the said Noticees have been rejected. Thus, the said request for cross-examination was made only when the settlement applications of the Noticees herein were rejected/ slated to be rejected by SEBI due to non-adherence to the settlement terms proposed therein. As such considering the aforesaid fact and the dilatory tactics adopted by the Noticees, the request for cross examination made at that time was rejected being apparently vague and abrupt. However, these Noticees in their submissions before me have reiterated their request for cross-examination of Noticee No. 2 after the same was already rejected and communicated to them that the statement of Noticee No. 2 is not being relied upon. These Noticees have been deliberately delaying the proceedings and making requests in piecemeal without any reasons and justifications. These requests cannot be allowed at this stage when these Noticees have submitted their replies and have availed opportunity of hearing. Further, no prejudice is shown by them at all. They are seeking cross-examination for delaying the proceedings consistently to avoid the expeditious and fair disposal of the case. They have failed to demonstrate any prejudice and taking shifting stands. Therefore, no prejudice has been cause to them in the absence of such cross examination of Noticee No. 2. This apart, during hearing, it was submitted that if SEBI is not relying upon statement of Noticee No. 2, the request is not pressed.

Consideration on merits and finding.

45. Having dealt with the various technical objections raised by the Noticees, I now proceed to deal with the merits of the case. I note that the SCN alleges that Noticees to have violated provisions of Sections 12A (a), (b), (c) and (e) of SEBI Act and Regulations 3 (a), 3 (b), 3 (c), 3(d), 4(1) and 4(2)(q) of the PFUTP Regulations. These Sections/ Regulations provide as follows:

SEBI Act

Section: 12A. Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

No person shall directly or indirectly

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

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

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

….

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

PFUTP Regulations

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a)buy, sell or otherwise deal in securities in a fraudulent manner;

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

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;
(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

(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;

46. I note that in context of charging a person for allegation of 'front running', Hon'ble SC in ***SEBI v. Shri Kanaiyalal Baldevbhai Patel*** (*supra*) held as follows:

"37. 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 in a situation like the one under consideration. <u>We are not inclined to agree with the submission that SEBI should have identified as to which particular provision of FUTP 2003 regulations has been violated. A pigeon-hole approach may not be applicable in this case instant."</u>

47. The expression 'front running' has not been defined in the SEBI Act or PFUTP Regulations. It is further noted that Regulation 4(2)(q) of the PFUTP Regulations specifically covers the acts of 'front running' by incorporating two elements for this prohibition, viz;
    a. Existence of non-public information regarding the substantial order of *Big Client* for dealing in securities; and
    b. Orders placed by a person while in possession of the said non-public information.

48. I note that Hon'ble SAT, in the matter of ***Vibha Sharma and Jitendra Kumar Sharma v. SEBI (order dated September 04, 2013 in Appeal no. 27 of 2013),*** has held that an act of 'front running' is always considered injurious to other participants in the securities market. The following observations made by Hon'ble SAT in that case are worth mentioning:

"We would like to give a liberal interpretation to the concept of front running and would hold that any person, who is connected with the capital market, and indulges in front running is guilty of a fraudulent market practice as such liable to be punished as per law by the respondent. The definition of front running, therefore, cannot be put in a straight-jacket formula."

49. The Hon'ble SC in the matter of ***SEBI v. Shri Kanaiyalal Baldevbhai Patel (****supra****)***, while considering the term 'front running' observed as under:

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

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."

50. With respect to the forms of front running, the Hon'ble SC in the aforesaid case has further observed as under:

"...It comprises of at least three forms of conduct. They are: (1) trading by third parties who are tipped on an impending block trade ("tippee" trading); (2) transactions in which the owner or purchaser of the block trade himself engages in the offsetting futures or options transaction as a means of "hedging" against price fluctuations caused by the block transaction("self-front-running");and (3) transactions where a intermediary with knowledge of an impending customer block order trades ahead of that order for the intermediary's own profit ("trading ahead")..."

51. Further, a consultative paper issued by SEBI had grouped front running to be an undesirable manipulative practice in the following manner-

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

52. SEBI vide its circular CIR/EFD/1/2012 dated May 25, 2012 has defined front running as 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;*".

53. From aforesaid, it can be safely deduced that the activity of 'front running' encompasses the following inclusive elements,

a. The existence of non-public information regarding the substantial order of *Big Client* for dealing in securities;

b. The information regarding a substantial order (*Big Client*'s order) in a particular security, is not publicly available;
c. The order by the alleged *front runner* was placed (directly or indirectly) in advance of the order/s of the *Big Client*, while in possession of the aforesaid non-public information.
d. Use of such information to buy or sell securities (same or related) in advance of the order of *Big Client* on the anticipation that when the information becomes public the price of such securities may change.

54. In practice, orders above the minimum lot size (particularly for large orders) are often placed in smaller tranches so as to have minimum impact on the price, the alleged *front runner* can gain from placing his order(s) at any time before the last tranche of the *Big Client*'s order. In other words, all the tranches of the order of the first leg placed by the alleged *front runner* that have been placed on or before the time of last tranche of the order placed by the *Big Client*, would qualify as front running transactions. The second leg of any *front runner's* order which encashes the advantage of the first leg, need not necessarily be placed after the *Big Client* order since the Stock Exchanges permit "limit orders" i.e., contingent orders like "*sell if the price is more than Rs. X"* or *"buy if the price is lower than Rs. Y".* Such limit orders can be placed in advance; whose execution is contingent on the *Big Client's* order impacting the price of the scrip. However, any tranche of the order placed by the alleged *front runner* subsequent to the last tranche of the order of the *Big Client* will be excluded from being qualified as a front running trade. The most common patterns of front running; are the BBS and SSB patterns as discussed herein:

a. **Buy-Buy-Sell ("BBS") *i.e*** buy by the *front runner*, buy by the *Big Client* and sell by the *front runner*. In this pattern, the *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 *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.

b. **Sell-Sell-Buy ("SSB") *i.e.*** sell by the *front runner*, sell by the *Big Client*, buy by the *front runner*. In this pattern, the *'front runner'* by using the non-public information regarding the 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 front runner to buy back the securities at a lower price to meet his obligations which he had created earlier by selling securities. 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.

55. In this case, allegedly: -

a. The orders of the *Big Client* have been front run from the trading accounts of Noticee Nos. 6, 7, 8, 10, 12, 14, 15, 17, 18, 19, 21, 23, 25, 27 and 29.

b. Noticee Nos. 9, 11, 13, 16, 18, 22, 28 and 30 are Karta of respective HUFs, namely; Noticee Nos. 10, 12, 14, 15, 17, 19, 21, 27 and 29. None of these Kartas have traded in their own accounts with regard to the alleged front running trades and they all have traded in the accounts of their respective HUFs.

c. The orders of the *Big Client* have been front run by Noticee Nos. 6, 9 and 26 using the trading account of their respective wives, namely, Noticee Nos. 7, 8, 23 and 25.

56. The Noticees have contended that the allegations against them has not been made on the basis of desired level of preponderance of probability and the SCN is based on conjectures and surmises as it makes inferential allegations without any basis. According to them the SCN makes charges based on mere possibilities and there are several factual inaccuracies with regard to data and information provided in the SCN. Its drafting at several places lacks cohesiveness, efficacy with regard to language, connecting facts and circumstances and fails to express the allegations based on conviction and definiteness. In this case, at many places, the SCN has attempted a doctrinaire approach of drafting by using technology of copy and paste and the narration in the SCN is not cohesive and is merely a meaningless verbiage. For instance, the SCN defines the Noticees as (*front runners* / FRs). Grammatically, *front runner* is a noun and *front running* is a verb. The SCN at several places (13) uses the expression "*the first leg of the FRs"* instead of the order of the first leg of the *front runners*. Further, in several places charges has been made based on act of others and without specifying the role of a particular Noticee. For example, the SCN in table in para 32 it has been stated under heading *"B.5 Connection between Big Client and Front Runners'.* There is no allegation nor basis of any connection of the *Big Client* with the *front runners* nor any fact relevant in this regard has been stated in the SCN. In para 47, it is mentioned that '*the information exchange may not always have happened through phone calls. It is highly possible that the communication of the information may have happened through any of the various applications available in the market for making calls and sending messages, which provide end-to-end encryption and moreover, will not appear in the Call Data Records*'. Such basis is merely endeavouring to make an allegation. When the SCN has relied upon various factors such as connection amongst parties, call details

amongst them, personal visits of a Noticee to the office of Noticee No. 2, funding of trades of Noticee No. 23 by Noticee No. 2 and trading pattern in the account of these Noticees to allege the tainted nature of the transactions of respective Noticees, such meaningless recitals are superfluous and surpluses and do not add any value to the SCN. One of basis in SCN is more inferential rather than based on definitive instance as it uses *"may have, indirectly been in possession of the of the details of the impending orders*" although alleging '*frequent communication'* between these Noticees/ respective spouses of few of them, and Noticee No. 2. Further, the conclusions drawn in several places make statements as gobbledegook while the real case when holistically perused the SCN on series of factum do suggest cause and effect rather than making it empty substance. Some of the statements as pointed by the Noticees are given for instance as following: -

- In para 77.3 the SCN observes that "*While no sharing of profit is observed to have taken place between these clients and Jitendra Kewalramani, it is observed that for one client, Soniya Bohra, Jitendra Kewalramani has funded two out of 6 FR trades in her account. Further, there is fund flow from Puja Jain, spouse one of the clients, Ankesh Jain, to Samir Kothari, the information carrier in this case. This fund flow has happened after the FR trades have taken place in the account of Ankesh Jain HUF. Both Ankesh Jain and Samir Kothari have not explained this transaction despite several reminders.".* There is no further examination as to the nature of connection of the Noticees with Noticee No. 2 in this respect.

- The SCN uses phrase "*may have; indirectly*, etc. instead of drawing definite conclusions for each part of foundational fact based on analysis of evince, direct or circumstantial or both. Such as, with regard to the Noticees having received the impugned non- public information, it recites at several places (including at the Paragraph 77.4 and Paragraph 93.1) that the clients *may have, indirectly, been in possession of* the of the details of the impending orders to be placed on behalf of the *Big Client*, through Noticee No. 2. The observation could be definitive as there was frequent communication between these clients/ spouses of respective clients and Noticee No. 2. Further, the concept of trading based on indirect possession of non- public information is totally alien for the case of front running. The information exchange could be through a layering of several entities but receiving end must have the non- public information for indulging in front running of trades. Further, it cannot be the case that the information resides with a third party and trader is charged merely based on connection with any entity in the said layer of entities.

- It is not necessary to establish that the communication between information carrier and trader should occur on the date and time of the trade. The proximity of time between call/communication and trade based on the non-public information received during communication is sufficient. However, in para 77.4, the SCN recites an unwarranted statement that there was frequent communication between these Noticees/ spouses of concerned Noticee and Noticee No. 2, the communication has taken place around the time the front run orders have been placed for only some of the clients.

57. In the SCN it has been also stated, at few places, that the *front runners* have traded in substantial quantities in scrips in the front running instances when compared with quantities traded in that scrip in prior period, which is indicative of the *possibility* that the *front runners* had access to *certain information* that led them to increase the traded quantity. The impugned non-public information as per SCN is specific and definite and such half- hearted recitals are unnecessary. With regard to most of the Noticees herein the allegation is that they "***may have, indirectly***, *been in possession of the details of the impending orders to be placed on behalf of the Big Client through Jitendra Kewalramani,* ***who has then placed orders in these accounts to generate abnormal profit for these clients.".*** This clearly indicates the those Noticees were not trading themselves but have allowed their account for trading by Noticee No. 2 to generate abnormal profit for these clients. However, the SCN makes these all Noticees as traders and includes them in list as *front runners*.

58. The minimum requirement of the rules of natural justice is that the allegations should be on the basis of some evidence i.e. evidential material which with some degree of definiteness points to the guilt of the Noticee in respect of the charge against him. Suspicion cannot be allowed to take place of proof.

59. I have examined the SCN in detail and note that the Noticees have selectively picked up few paras of the SCN which are narration of facts. In my view, the facts described in the entire SCN if arranged with chronological approach of facts and events narrated therein show clear picture of the case. It is pertinent to mention that when a defect appears, an adjudicator cannot simply fold his hands and blame the draftsmen. He must set to work on the constructive tasks of finding the truth based on intendment and the mischief which it seeks to remedy, by examining holistically the entire gamut of facts and circumstances as described in the SCN. It becomes more important and relevant when the entire stratagem is in the minds of people involved and present day context of securities markets and its use and abuse has become more and more complex due

to use of technology and complex communication channels enabling faceless interface and communication.

60. I note that SCN at para 86 brings out in nutshell the charge. The charge in respect of these Noticees is that the orders placed in the accounts of the Noticees herein have front run the orders of the *Big Client.* As summarised in the para 85.1, 85.2 read with para 86, the genesis of the scheme of front running as alleged in this case is -

(a) **Access to information about the impending orders:**

- Noticee No. 1, employee of the *Big Client* was privy to the information relating to the impending orders of the *Big Client*;(para 85.1)
- There was frequent communication between Noticee No. 1 and Noticee No. 5, employee of Noticee No. 2 an AP of Angel One, the '*main Front Runner'* and they were in discussions to seek stock market related intelligence from each other;(para 85.1)
- Noticee No. 2 had access to the information of the impending orders of the Big Client from Noticee No. 1 through Noticee No. 5; (para 85.1 and 86)

(b) **Trading pattern of the Noticeees vis-a-vis trades of the Big Client:** The trading pattern of the Noticees herein follows the classic pattern of front running where the front running leg of the front run trades (i.e., the first leg) is already in place before the orders of the *Big Client* are placed. Similarly, the orders of the squaring off leg (i.e., the second leg of the front run trades) begun by placing orders before the last tranche of the orders of the *Big Client* have been placed i.e., these orders are already in place to encash the likely impact of the impending large order of the *Big Client* on the scrip price. (para 85.2)

61. As regards proof of the allegation as in the instant case, while there can be no hard and fast rule regarding the extent and nature of circumstantial evidence required to prove a charge of front running. In ***SEBI v. Kanaiyalal Baldevbhai Patel (2017) 15 SCC 1.*** Hon'ble SC relying upon its own judgment in ***SEBI v. Kishore R. Ajmera***[5], held that even though the relevant violations would invite penal consequences on the defaulters, the correct standard of proof would be that of preponderance of liabilities as opposed to proof beyond reasonable doubt. While deciding a case of insider trading which is similar to front running to the extent of communication of non-public information and trading based on the said information case about standard circumstantial evidence,

[5] *(2016) 6 SCC 368.*

Hon'ble SAT in the matter of Mr. V.K. Kaul v. SEBI recognised the principles laid down by the New York District Court in ***States of America v. Raj Rajaratnam [2009] Cr. 1184 (RJH) of United States District Court, Southern District of New York*** (decided on 11.08.2011)***;*** that regarding the issue of relevance of circumstantial evidence, based on circumstantial evidence in considering such factors as:

a. Access to information;
b. Relationship between the tipper and the tippee;
c. Timing of contact between the tipper and the tippee;
d. Timing of the trades;
e. Pattern of the trades; and
f. Attempts to conceal either the trades or the relationship between the tipper and the tippee.

62. The above principles are not in conflict with the regulatory framework prescribed by the Board and can be looked into while deciding cases under the Indian regulatory framework which is similar to the United States of America's (US) regulatory system. It is pertinent to mention that in the ***Rajarathnam*** case, the US Court also held that there cannot be an absolute proof of knowledge and activity. In a different case, the US Court (2012) had observed: *"you cannot expect a tipper or tippee to voluntarily confess to passing or receiving insider information".*

63. To be in the know of things can only be based on reasonable inferences drawn from foundational facts which can be proved based on inferential findings by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion. Applying the observations made by Hon'ble SC in ***Balram Garg v. Securities and Exchange Board of India, 2022 SCC Online SC 472***, in the facts and circumstances of that case, I note that the circumstantial evidence must be substantial and not based on surmises alone. Merely trading patterns and timing of trades may not suffice. The judgement in ***Balram Garg*** case does not seem to lay down rule of law of direct evidence in all cases and to unsettle the established position to prove the guilt on higher probability based on circumstantial evidence. The ruling in this case was in the context of facts and circumstances of the case.

64. With the large number of variables in the capital markets – technology, instruments, processes, etc., there is a constant need for the law to catch up with the market. In these situations, the law has to

be flexibly interpreted and interpretations given to it by Courts cannot be strictly deciphered as the language of a statute. The interpretations though could act as guiding factor but could be relevant in the facts and circumstances of a case. Such observation also came to be made by Hon'ble SC in the context of its judgements in the matter of ***Axis bank limited v. Vidarbha Industries Power Limited [Review Petition (Civil) No. 1043 of 2022 In Civil Appeal No. 4633 of 2021]*** wherein it observed as following: -

"It is well settled that judgments and observations in judgments are not to be read as provisions of statute. Judicial utterances and/or pronouncements are in the setting of the facts of a particular case. To interpret words and provisions of a statute, it may become necessary for the Judges to embark upon lengthy discussions. The words of Judges interpreting statutes are not to be interpreted as statutes."

65. Subsequently, while dealing with this ruling in ***Ameen Khwaja Vs SEBI,*** **Hon'ble SAT** held that in that case there were facts countering such expectations. There was disruption in the joint family in view of two partitions / family settlements, the parties residing separate from each other and further trading pattern of Shivani Gupta was running counter to the probabilities of having non-public information with her. Highlighting those facts, the Hon'ble SC upheld the case of Balram Garg and Shivani Gupta and others. It clearly shows that SC ruling in ***Balram Garg case*** is not laying down general rule of law. If the facts, on preponderance of probability suggest no communication corroborating evidence is desirable. Where, in the facts and circumstances, however, it is shown on preponderance of probabilities that tippees had received the non –public information, it would be sufficient to bring home the charge.

66. Thus, it has to be determined based on preponderance of probabilities that these Noticee had received non –public information about impending trades of the *Big Client* from Noticee Nos. 2 or 5 and traded or allowed Noticee No. 2 to place orders in their accounts to generate abnormal profit for them as alleged in the SCN. Accordingly, to bring out the truth of the case, the facts and circumstances described in the SCN has to be seen holistically rather than selectively looking at its faulty drafting as pointed by the Noticees, except where the charge is completely out of the scope of the level of desired level of probability.

67. As regards access or possession of impugned non- public information, the SCN brings out that Noticee Nos. 1 and 2 were in frequent communication with Noticee No. 5, an employee of Noticee No. 2. The non –public information, in this case, was available to Noticee No. 1 at relevant times during the *IP* when he was placing orders of *Big Client* with Ambit and Emkay . The said non-

public information was then passed on by him to Noticee No. 5, an employee of Noticee No. 2, the '*main Front Runner*' and they both were in discussions to seek stock market related intelligence from each other. Noticee No. 2 had received the information of the impending orders of the *Big Client* from Noticee No. 5. Since all these three primary persons have settled the allegations against them, I do not go into their conduct and leave this connection and information exchange there for the limited purpose of determining the conduct of the Noticees herein.

68. Now the above listed ingredients of front running have to be tested *qua* the Noticees herein. As per the facts narrated in the SCN both Noticee Nos. 2 and are to be treated as information holders/ carriers for the limited purpose of transmission of impugned non- public information to other Noticees who traded or allowed Noticee No. 2 to trade in their own or their respective spouse's / HUF's trading account.

69. It has been alleged that the impugned non- public information moved from Noticee No. 2 to 13 Noticees *viz*; Noticee No. 8, 10, 12, 14, 15, 17, 19, 20, 21, 23, 25, 27 and 29. Further, Noticee No. 6 received said non- public information from Noticee No. 2 and Noticee No. 5 both and also traded in his account and in the account of Noticee No. 7. The basis of such communication is calls amongst these parties, visits of the respective Noticees at the office Noticee No. 2, funding of trades and pattern of trading.

70. I note that the trading accounts of the *Big Client* belonged to a partnership firm namely, Safe Enterprises. The investment team of the safe enterprises had the discretion to invest for the *Big Client* and was headed by Noticee No. 1. He was the person taking the final decision to buy/ sell and the one who placed orders with the stock brokers on behalf of the *Big Client*. The impending trades of the *Big Client* were placed by Noticee No. 1 through Ambit and Emkay and the details of the impending order were revealed by him to the dealer of Ambit/ Emkay during the call and the dealer punched the order during the call itself. Noticee No. 1 remained on call with the dealer till the order was executed and sometimes, during the call itself, Noticee No.1 prescribed additional quantities to be bought or sold, usually within a few minutes of the first instruction being given. Noticee No. 1, was privy to the information relating to the impending orders of the *Big Client* and was in frequent communication with Noticee No. 5, employee of Noticee No. 2, and colleague of Noticee No. 6. Both Noticee No. 5 and the Noticee No.6, admittedly, work in same office in close proximity. In this statement before SEBI, Noticee No. 5 has stated to have interacted with Noticee No. 1 in the hope of getting tips/ recommendations from him for the stock market whereas Noticee No. 1 interacted with Noticee No. 5 as part of his need to network and obtain stock market

intelligence. Both had met each other and to have held discussions with respect to stock market. It is admitted position that these Noticees (or their family members and/ or karta) are connected with Noticee No. 2 due to his role as an AP of Angel One or as an employer. Further, all these Noticees except Noticee Nos. 6 and 7 have admitted that Noticee No.2 was placing order in the respective accounts of the Noticees/ their spouse or HUF of the concerned Noticee.

71. Thus, the access of non- public information to these Noticees, their relation/connection with information holders/carriers and timing of contact amongst them proximate to their trades and commonality of substantial trades of these Noticees with trades of Noticee No. 2 show strong probability that all these Noticees had received the impugned non-public information about impending trades of the *Big Client* during the *IP*.

72. The details of the trading activities of Noticee Nos. 6, 7, 8, 10, 12, 14, 15, 17, 19, 20, 21, 23, 27 and 29 before the *IP* (March 01, 2019 to December 31, 2020), during *IP* (January 01, 2021 to October 31, 2022) and after *IP* (November 01, 2022 to April 30, 2023) is as follows:

Table No. - 20

Noticee Name	Period	Overall GTV (Lacs)	Intraday		
			No. of Instance	GTV (Lacs)	Profit (Lacs)
Noticee No. 6	During Mar 01, 2019-Dec 31, 2020 (22 months)	681.40	63	658.56	4.64
	During Jan 01, 2021-Oct 31, 2022 (22 months)	1,234.87	54	1,179.64	8.28
	During Nov 01, 2022-Apr 30, 2023 (6 months)	42.07	7	30.31	0.02
Noticee No. 7	During Mar 01, 2019-Dec 31, 2020 (22 months)	50.13	7	43.97	0.03
	During Jan 01, 2021-Oct 31, 2022 (22 months)	1,336.07	26	1,320.06	8.11
	During Nov 01, 2022-Apr 30, 2023 (6 months)	22.14	3	20.89	0.09

Noticee Name	Period	Overall GTV (Lacs)	Intraday		
			No. of Instance	GTV (Lacs)	Profit (Lacs)
Noticee No. 8	During Mar 01, 2019-Dec 31, 2020 (22 months)	13.04	-	-	-
	During Jan 01, 2021-Oct 31, 2022 (22 months)	3,880.87	19	3,499.34	15.42
	During Nov 01, 2022-Apr 30, 2023 (6 months)	38.90	-	-	-
Noticee No.10	During Mar 01, 2019-Dec 31, 2020 (22 months)	-	-	-	-
	During Jan 01, 2021-Oct 31, 2022 (22 months)	2,582.59	32	2,351.32	13.30
	During Nov 01, 2022-Apr 30, 2023 (6 months)	23.56	1	0.12	-0.00
Noticee No. 12	During Mar 01, 2019-Dec 31, 2020 (22 months)	-	-	-	-
	During Jan 01, 2021-Oct 31, 2022 (22 months)	2,277.89	16	2,277.89	10.15
	During Nov 01, 2022-Apr 30, 2023 (6 months)	45.52	3	23.17	-0.02
Noticee No. 14	During Mar 01, 2019-Dec 31, 2020 (22 months)	-	-	-	-
	During Jan 01, 2021-Oct 31, 2022 (22 months)	1,754.23	11	1,641.08	11.14
	During Nov 01, 2022-Apr 30, 2023 (6 months)	0.89	-	-	-
Noticee Nos. 15, 17, 19, 20 and 21	During Mar 01, 2019-Dec 31, 2020 (22 months)	3,395.01	54	3,152.64	16.80
	During Jan 01, 2021-Oct 31, 2022 (22 months)	7,417.77	63	7,310.49	37.62

Noticee Name	Period	Overall GTV (Lacs)	Intraday		
			No. of Instance	GTV (Lacs)	Profit (Lacs)
	During Nov 01, 2022-Apr 30, 2023 (6 months)	15.16	-	-	-
Noticee No. 23	During Mar 01, 2019-Dec 31, 2020 (22 months)	-	-	-	-
	During Jan 01, 2021-Oct 31, 2022 (22 months)	1,299.72	10	1,283.88	8.19
	During Nov 01, 2022-Apr 30, 2023 (6 months)	91.63	4	5.98	-0.04
Noticee No. 27	During Mar 01, 2019-Dec 31, 2020 (22 months)	-	-	-	-
	During Jan 01, 2021-Oct 31, 2022 (22 months)	1,014.32	7	1,005.37	6.11
	During Nov 01, 2022-Apr 30, 2023 (6 months)	6.79	-	-	-
Noticee No. 29	During Mar 01, 2019-Dec 31, 2020 (22 months)	1.90	1	0.30	-
	During Jan 01, 2021-Oct 31, 2022 (22 months)	1,750.81	14	1,736.44	9.45
	During Nov 01, 2022-Apr 30, 2023 (6 months)	-	-	-	-

73. In case of Noticee No. 26 who traded in the account of his wife Noticee No. 25 there were 6 instances of front running making a profit of Rs. 7.67 lakh. Out of the said 6 instances, 5 front running trades were common with front running trades of Noticee No. 2. Similarly, in respect of other Noticees most of their front run trades were common with front run trades of Noticee No. 2. They all individually made profits out of their such trades. Details of their front running trades and profits so earned are given in the following table: -

Table No. - 21

Noticee	No. of front running instances	No. of instances which were common with Noticee No. 2	Front running profit (in lacs rupees)
Noticee No. 6	35	33	7.3
Noticee No. 7	15	10	6.86
Noticee No. 8	14	13	15.23
Noticee No. 10	11	8	12.1
Noticee No. 12	13	11	10.76
Noticee No. 14	10	9	11.05
Noticee No. 15	9	8	10.7
Noticee No. 17	7	6	3.87
Noticee No. 19	9	8	8.78
Noticee No. 20	5	3	4.62
Noticee No. 21	11	10	6.33
Noticee No. 23	6	4	7.02
Noticee No. 29	7	4	8.41

74. Noticee No. 6 has accepted having placed orders in his account and in the account of his spouse (Noticee No. 7) during the *IP*. There is no denial of the fact that the trading accounts of the Noticees herein except Noticee Nos. 6 and 7 were activated in close proximity of their trades. The front running activity in some of these accounts took place in a very short span of time, generated abnormal profit and then ceased. In respect of trading accounts of some of these Noticees, the front running activity has commenced immediately after their account has been opened. The trading account of Noticee No. 25 (not part of this order) was opened on October 22, 2021 and the first front running trade in her account was done by her husband, Noticee No. 26, on April 27, 2022 and last such trade occurred on May 06, 2022. In respect of trading accounts of all other Noticees also,

the front running activity has commenced immediately after their account has been opened as shown in the following table: -

Table No. – 22

Noticee	Trading Account activation date	First front running activity date	Last front running activity date
Noticee No. 6	24-Nov-14	6-Jan-2021	2-Mar-2022
Noticee No. 7	3-Jun-14	9-Mar-2022	15-Jun-2022
Noticee No. 8	29-Dec-21	04-Jan-2022	18-Jan-2022
Noticee No. 10	14-Jan-21	20-Jan-2022	4-Feb-2022
Noticee No. 12	30-Jul-21	3-Aug-2021	17-Aug-2021
Noticee No. 14	30-Jul-21	18-Aug-2021	29-Sep-2021
Noticee No. 15	24-Sep-20	22-Nov-2021	21-Apr-2022
Noticee No. 17	29-Oct-20	8-Dec-2021	10-Dec-2021
Noticee No. 19	24-Sep-20	9-Nov-2021	18-Nov-2021
Noticee No. 20	19-Sep-20	29-Nov-2021	7-Dec-2021
Noticee No. 21	24-Sep-20	06-Jan-2021	8-Nov-2021
Noticee No. 23	4-Mar-22	8-Mar-2022	8-Apr-2022
Noticee No. 27	26-Feb-21	16-Dec-2021	23-Dec-2021
Noticee No. 29	16-Mar-22	22-Mar-2022	15-Jun-2022

Note:- Noticee Nos. 9, 11, 13, 16, 18, 22, 28 and 30 have not traded in their own account and have been arrayed as a party only for trading in the account of their respective Hindu Undivided Family ('HUF') viz; Noticee Nos. 10, 12, 14, 15, 19, 21, 27 and 29.

75. The Noticees herein have made several contentions on merit claiming their *bona fide* about alleged trading by them in their own account or in the account of respective spouse or HUF, as the case may be to rebut the allegations. I proceed to deal with them in subsequent paragraphs. In order to deal with such contentions, I deem it appropriate to group the Noticees, taking into account the common submissions, same family or HUF, etc.

Noticee Nos. 6 and 7.

76. These Noticees have contended that: -

a. In the SCN the table, in para 32, has been relied upon under heading "**B.5 *Connection between Big Client and Front Runners'*** so as to come to conclusion in para 43 of the SCN

to say that :-" *Therefore, from the above, it is alleged that Kuntal Goel, who possessed the information of the impending trades of the Big Client and placed instructions on behalf of the Big Client, is connected to Samir Kothari by way of frequent communication and meetings, which were to seek stock market related intelligence from each other. As has been mentioned in the preceding paragraphs, the alleged main front runner i.e. Jitendra Kewalramani is connected to Samir Kothari through an employer-employee relationship and by way of financial transactions which are not in the nature of normal salary transactions. Therefore, it is alleged that Kuntal Goel, employee of the Big client who is privy to the details of the impending orders and Jitendra Kewalramani, the alleged main Front Runner, are connected to each other indirectly through Samir Kothari.*" The names of these Noticees are not there in this conclusion nor the basis thereof in preceding paras of heading B5.

b. At page 19 in para 43 of the SCN the heading says that '*B.6 Correlation of calls between Kuntal Goel and Samir Kothari and those of Samir Kothari with Jitendra Kewalramani and Shankar:*', However, there is no mention of Noticee No. 6 (Shankar Vadatkar) in the contents therein at all.

c. Further, in para 47 of the SCN, where information flow is described, it is stared that calls mentioned therein show '*possibility'* of the information pertaining to the impending orders of the *Big Client* being passed on from Noticee Nos. 1 and 5. This statement in the SCN is based on conjectures that too about information exchange between Noticee Nos. 1 and 5 but not about any information exchange between Noticee No. 6 and any of these two individual.

d. In para 49 of the SCN wherein conclusion has been drawn that *the main front runner* and common link between all *front runners* (Noticee No. 2) is connected to Noticee No. 5 through employer-employee relationship. Noticee No. 1, who possesses the non-public information of the impending orders of the *Big Client* is connected to Noticee No. 5 by way of frequent communication thus Noticee No. 1 and 2 are connected to each other indirectly through Noticee No. 5. Such connection gives Noticee No. 2 access to the non-public information of the impending orders of the *Big Client.* In this para also name of Noticee No. 6 is missing.

e. Since the name of the Noticee is not there in either of the conclusions, it cannot be held that the Noticees No. 6 and 7 are connected with the *Big Client*, or Noticee No. 1. The relation as co-employee with Noticee No. 5 with Noticee No. 2 in itself does not establish that the Noticee No. 6 traded in his own account and account of his wife Noticee No. 7 based on any receipt of non – public information about impending trades of the *Big Client*.

f. Thus, Noticee No. 6 is not part of any front running scheme of Noticee Nos. 1, 2, and 5. According to Noticee No. 6 he was an employee of Noticee No. 2. Knowledge of any non-public information to employer cannot be knowledge of said non-public information to employee unless it is proved with strong preponderance of probability.

77. At the first blush the above arguments of Noticee Nos. 6 and 7 may seem lucrative but when seen holistically give different picture of the case altogether. It is noted that the instant case is not intended to establish any wrongdoing of the *Big Client* or any connection of the *Big Client* with the information carrier or the *front runners* as stated in the heading **B.5** of the SCN. Although, the ARs for these Noticees could be correct in pointing out the shortcoming of drafting in the SCN, in my view, the facts described in the entire SCN have to be glanced to search the role of these Noticees rather than limiting the search for truth from anomalies in paras cited by them. It is noted that the conclusions drawn in para 46, 47 and 49 are allegation of connection and information flow between Noticee No. 1, 2 and 5 and the recitals in those paras have no relevance for these Noticees and have been made for completing the orbit of information circulation from those three individuals to other Noticees whose roles are described elsewhere in the SCN at different places.

78. These Noticees have contended that the table nos. 63, 64, 65 and 66 of the SCN to front run trades by Noticee Nos. 6 and 7 cannot be relied upon being inaccurate. They have stated that the above tables contain inaccurate data as (i) order modification time is shown before the order start time, (ii) order modification time is shown as after the trade end time and (iii) certain orders have been wrongly classified as limit orders as they possess a range. On perusal of the aforesaid tables, I note that, the order last modified time for the BBS trade in QUESS on April 01, 2022, is shown as 10:34:54, much later than the trade end time on 10:21:00, for the BBS trade in AFFLE on April 27, 2022, order last modified time is shown as 9:54:24, much later than the trade end time on 9:54:36, similarly for the SSB trade in DOLLAR on January 17, 2022, the order last modified time is shown as 12:18:07, much later than the trade end time on 12:13:05. I further note that the average price mentioned in all the aforesaid tables is either higher or lower than the minimum price and the maximum price mentioned therein. I find that aforesaid is not possible as (i) the order last modified time cannot be after the trade end time and (ii) the average price has to be within the minimum and

maximum range specified by the Noticee. Considering all the aforesaid, I agree with this contention of the Noticees and find the said data with respect to the trades done by Noticee Nos. 6 and 7 to be inaccurate. However, merely because some of the data is inaccurate and the same can be severed from other data, would not vitiate the entire proceedings. The remaining data do show total front run trades (46) in accounts of Noticee Nos. 6 and 7.

79. It is noted that the orders for the first leg of the intra-day trades of the *front runners* were entered before the impending orders of the *Big Client* were placed i.e., the front running leg is in place before the orders of the *Big Client* have been entered. The second leg of the intra-day trades (the squaring off trades) of the *front runners* have begun by placing orders, either prior to the last tranche of the orders of the *Big Client* or immediately after it i.e., the squaring-off leg are already in place to encash the likely impact of the impending large order of the *Big Client* on the scrip price The Noticees have contended that 9 alleged front running trades have been miscategorised as front run trades as Noticee No. 6 carried out the first leg of their orders after the *Big Client* had already placed the large order. I find that for front running, it is not necessary that the first leg of the order of *front runner* be placed before the first leg of order of the *Big Client*, orders that have been placed on or before the time of last trance order placed by *Big Client* would also qualify as front run trades.

80. Admittedly, during the *IP*, Noticee No. 5 had 617 calls with Noticee No. 2, 160 calls with Noticee No. 1 and 177 calls with Noticee No. 6 as mentioned in para 32 of the SCN. Noticee No. 6 has contended that knowledge of employer cannot be held to be knowledge of the employee. Such knowledge has to be proved on higher degree of probability. Noticee No. 6, Noticee No. 2 and 5 worked in the same office being co- employees or having employee/employer relationship. In my view, the claim of the Noticee that call between him and Noticee No. 2 /Noticee No. 5 was as co-employees or employee/employer relationship is not plausible, considering the number of frequent calls during the *IP* when impugned transactions are being undertaken by Noticee No. 6 in his account and in the account of Noticee No. 7. The logical reasons of such frequent calls remain unexplained by the Noticee No. 6. The facts and circumstances cumulatively lead to conclusion that the Noticee No. 6 did receive the impugned non-public information from Noticee No. 2 or 5 who was, admittedly, in personal contact with Noticee No. 2 or 5 being a co- employees or having employee/employer relationship and was also in frequent communication through 177 calls (with Noticee No. 5) and 173 calls (with Noticee No. 2) during the investigation period or from or through Noticee No. 2 or 5 as alleged in para 76 of the SCN.

81. Noticee No. 7 has admitted that trades in her account were being placed by her husband, Noticee No. 6, who is an employee of Noticee No. 2. Noticee No 6 has also traded in his own account as described in the SCN. Admittedly, Noticee No. 6 had been following the orders that were placed in the accounts belonging to Noticee No. 2, the '*main Front Runner'*. It is undisputed fact that Noticee No. 6 carried out 33 front run trades generating a profit of Rs. 7.3 Lakhs whereas Noticee No. 7 carried out 13 front run trades generating a profit of Rs. 6.86 Lakhs. Out of the 33 instances of front running trading of Noticees No. 6, almost all the instances were common with front run trades of Noticee No. 2. Further, out of the 13 instances of front running trading of Noticees No.7, most of the instances were common with front run trades of Noticee No. 2. For Noticee No. 6, the total GTV of all trade, number of intra-day trades, GTV of intra-day trades and profit from intra-day trades to during the *IP* have substantially increased from those during pre-*IP* period. For Noticee No. 7, while number of intra-day instances have reduced, other parameters, such as GTV and profit, have almost doubled during the IP from those during pre-*IP* period. For both of them, post-*IP*, all parameters have reduced substantially and the profit generated from intra-day trades during post-*IP* is negligible when compared with that during the *IP*.

82. These Noticees have placed reliance on SEBI Order dated July 28, 2025 in the matter of ***Zee Business Channel***, stating their case to be similar to the case of Himanshu Gupta. I note that in the said case, WTM disposed of the proceedings against Himanshu Gupta due to "*no support the allegation levelled against Mr. Himanshu Gupta, neither the evidence of execution of trades in the scrips of (Tata Motors and Indiacem) on the date of the recommendation, nor the evidence of communication regarding the scrip"*. I find this contention misplaced, *firstly*, because the said observation has been relied upon out of context and *secondly*, the Noticees have misconceived and misinterpreted the same. It is clear that in that case, the allegation against Mr. Himanshu Gupta was that he influenced or induced either the Profit Makers or the public at large to trade in the recommended scrip on a TV show at *'Zee Business'*. On examination of the case, WTM found that, there was no evidence that the recommendation was in fact communicated by Mr. Himanshu Gupta to Profit Makers right before it was aired on *'Zee Business'*. WTM gave above observations to the effect that evidence of communication regarding the scrip was not available and the evidence of trading on the date of recommendation was also not available. It is matter of common knowledge that in order to allege fraudulent trading based on non- public information, it must be established as per preponderance of probability that the trader is in possession of the non-public information and using it at the time of trade. It is not necessary that the communication of non- public information to trader must occur only on the date of trade as sought to be contended. If such arguments are accepted, it would lead to absurdity and create chaos in the market in that the tippers

would communicate non- public price sensitive information to tippees a day before the date of trade or even one minute or one second before the time of trade and claim allowance and exemptions.

83. These Noticees have also placed reliance on SEBI Order dated June 11, 2024 in the matter of ***CNBC Awaaz***, to contend that an employee cannot be held guilty merely because they followed the trades/ advice of their employer and when it has not been sufficiently proved that they had knowledge of their trades being based on non-public information. They have stated the present case *qua* the Noticee No. 6 to be identical to the case of Opu Funikant Nag in the matter of ***CNBC Awaaz***. The relevant extracts of the said SEBI order is as follows:

"93. Opu Funikant Nag, I note, has stated that he used to place trades in his accounts based on tips given by Alpesh Furiya. It was also stated that when he asked Alpesh Furiya for a salary hike, he was instead promised trading calls. Noticee 9, it is noted, also deposed that since Alpesh Furiya appeared on TV to give trading calls, he relied on tips passed on by him (Alpesh Furiya). Noticee 9, when asked about the correlation of his trades with the recommendations made by Pradeep Pandya, stated that he had no information that the tips given by Noticee 2 were based on material non-public information.

94. With regard to the trading activities of Opu Funikant Nag, Alpesh Furiya noted in his statement "I have given him trading calls and advised him to trade. He is poor and does not have much trading related knowledge. He was working on salary of around Rs. 15,000 per month. Instead of increasing his salary, I gave him trading calls. He himself has placed trade orders as advised by me. He has used his own funds to trade."

95. It can, therefore, be noted that both Opu Funikant Nag and Alpesh Furiya have admitted that the former carried out trades in his account on the advice of Alpesh Furiya. A significant number of trades carried out by Noticee 9 were noted to be correlated with the recommendations made by Pradeep Pandya or Alpesh Furiya, the details of which are given in the Table below.

96. It is seen from the above table that, 94.83% of profits generated by Opu Funikant Nag were from trades synchronized with the stock recommendations given by either Pradeep Pandya or Alpesh Furiya. Further, out of a total of 146 trades synchronized with the recommendations, profits were generated by Opu Funikant Nag in 89.73% of such trades.

97. Given the above, I have no hesitation in holding that the correlated trades were based on material non-public information that was shared by Alpesh Furiya. Therefore, the profits generated from such trades need to be disgorged. However, the evidence on record is not sufficient to show that Noticee 9 was aware that the tips being shared by Noticee 2 were based on material non-public information regarding upcoming recommendations to made by either Noticee 1 or 2. It is conceivable that he was under the impression that Alpesh Furiya being an analyst who appears on TV would be in a position to give tips which would result in assured profits. It is also noted that Noticee 9 was working as a clerk earning a monthly salary of Rs. 15,000. It is also the statement of Noticee 2 that Noticee 9 did not have any understanding of the securities market and these tips were given in lieu of granting Noticee 9 a salary hike. Given the same, I am inclined to grant the benefit of the doubt to Noticee 9 and not impose any monetary penalty on him."

84. I note that in the above case, statement of Opu Funikant Nag has been corroborated with the statement given by Alpesh Furiya who admitted to have provided trading calls to Opu Funikant Nag in lieu of a salary hike and to have advised him to trade in securities. In the present case, there is no evidence of any such arrangement existing between Noticee No. 6 and Noticee No. 2. While Opu Funikant Nag did not have trading related knowledge in former case, Noticee No. 6 in this case was an equity dealer employed with Noticee No. 2 during the *IP* and has domain knowledge of securities market. Further, in the present case, Noticee No. 6 is also in frequent communication with another information carrier i.e. Noticee No. 5 by way of frequent calls.

85. Noticee Nos. 6 and 7 have also contended that Noticee No. 7 cannot be held guilty of front running as she was not in possession of the non-public information of the trades of the *Big Client*. They have relied upon a SEBI Order dated February 28, 2024 in the matter of ***Brightcom Group Ltd***. in support of this contention. I note that in the said Order in ***Brightcom Group Ltd case***, the father (Dr. Varadarajan) had submitted that the acts attributed to his two sons have been performed by him. Considering that, one of the sons was only 18 years old and the other a minor, WTM directed that "*In case violations are brought in respect of preferential allotment of shares to Noticees 10 and 11 upon completion of investigation, Dr. Varadarajan would be held liable for the same"*. The same reasoning is not applicable in the present case, as Noticee No. 7, an adult admittedly gave control of her trading account to Noticee No. 6 for trading purpose. As such, said order is not relevant to the present proceedings. I note that even though Noticee No. 7 may not have been aware of any non-public information regarding the impending transactions of the *Big Client*, the act of the

said Noticee allowing use of her account by Noticee No. 6 for fraudulent and manipulative trades cannot be ignored. I, therefore, find that Noticee No. 7 is also liable as account lender.

86. In view of these observations, I also find that the contention of Noticee No. 6 that majority of the orders in the trading accounts of Noticee Nos. 6 and 7 mirrored the orders placed in the accounts related to Noticee No. 2 is just an afterthought to mislead. Such contentions are not based on any plausible explanation.

87. Considering close connection, frequent calls/ personal contacts with *main front runner* / Noticee No. 5 and pattern of trading in their accounts coupled with commonality of trading in the accounts of Noticee Nos 6 and 7 with front run trades of Noticee No. 2 cumulatively, the strong probability emerges that Noticee No. 6 placed orders in his own account and in the account of his wife Noticee No. 7 based on the non-public information about impeding orders of the *Big Client* received from Noticee No. 2 or 5. The frequent communication of Noticee No. 6 with Noticee No. 2 or 5 and the consistent commonality of orders of Noticee No. 6 and 7 with the orders of the *Big Client* is not just a coincidence. Such unusual and abnormal trading is not only suspicious but also heinous as it acts to the detriment of unsuspecting investors.

Noticee Nos. 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21 and 22

88. For Noticee Nos. 8, 9 and 10, I note that the trading activity has only been carried out from the trading accounts of Noticee Nos. 8 and 10. Noticee No. 8 has admitted that the trades in her account have been carried out by her husband i.e. Noticee No. 9. Noticee No. 9 has admitted to have placed orders in the trading account of Noticee No. 8 (14 trades) and Noticee No. 10 his HUF (11 trades). These accounts have been opened during the *IP*. For Noticee No. 8, out of 14 front run instances, 13 were common with front running trades of Noticee No. 2 making an intra-day profit of Rs.15.23 Lakhs whereas for Noticee Nos. 10, out of 11 front running instances, 8 instances were common with front run trades of Noticee No. 2 making an intra-day profit of Rs.12.10 Lakhs. In in a span of 11 trading days, the front running activity has been carried out in these accounts, with majority of instances common with Noticee No. 2 and his related accounts. No front running trades are observed in these accounts after February 2022. Post-*IP*, there are no intra-day trades in the account of Noticee No. 8, while there was just one (01) intra-day trade in the account of Noticee No.10. The overall GTV during post-*IP* has also reduced substantially.

89. The SCN recognises that Noticee Nos. 8 and 9 are residents of Sangli and they have not visited the office of Noticee No. 2 to place orders nor have they placed orders on phone. Noticee No. 2 had

asked them to open their trading accounts with Angel One and in return he would generate profits for them. During the alleged front running period in these accounts, 30 calls have been exchanged between Noticee No. 2 and Noticee No. 9. In September 2022, Noticee No. 2 sent them order instructions sheet, through email, for their signatures. They signed these sheets and sent them to Noticee No. 2. These order instruction sheets match with the alleged front running orders placed in their accounts. SCN acknowledges, in para 60.4, that "***Chaitali Shah and Swapnil Shah have never physically visited the office of Jitendra Kewalramani to place orders in their accounts and have signed on the order instruction sheets after the orders were place."*** Based on these facts the SCN alleges in para 60.6, that *"...* ***Jitendra Kewalramani has shared the details of the impending order of the Big Client with Swapnil Shah and has then placed the orders in these two accounts."***

90. With regard to Noticees No. 11, 12, 13 and 14, as per the SCN, the trading activity has only been carried out from the HUF accounts, i.e. Noticee Nos. 12 (HUF of Noticee No. 11) and 14 (HUF of Noticee No. 13). These accounts have been opened during the *IP* and Noticee No. 12 has 13 front run instances with 11 of the instances being common with Noticee No. 2 making an intra-day profit of Rs. 10.76 Lakhs whereas Noticee Nos. 14 has 10 front run instances with 9 of the instances being common with Noticee No. 2 making an intra-day profit of Rs. 11.05 Lakhs. No front run trades have been observed in these accounts after October 2021. Post-*IP*, there are no intra-day trades in the account of Noticee No.14, while there are just three (03) intra-day trades in the account of Noticee No. 12. The overall GTV during post-*IP* has also reduced substantially. During the alleged front running activity in these two accounts, 18 calls have been exchanged between Noticee No. 2 and Noticee No. 13. Admittedly, Noticee No. 11 and Noticee No. 13 have never visited the office of Noticee No. 2 to place orders nor have they placed orders on phone. SCN recognises that Noticee No. 2 asked them to open their trading accounts with Angel One and in return he would generate profits for them. There were numerous calls between Noticee No. 2 and Noticee Nos. 11 as well as 13 during *IP* and during alleged front running trades 18 calls had been exchanged between Noticee No. 2 and Noticee No.13. These Noticees have not disputed these calls and have not given any plausible explanation for such frequent calls. Based on all these facts, the SCN alleges in para 61.5 that *"...* ***Jitendra Kewalramani has shared the details of the impending order of the Big Client with Piyush Mehta and has then placed the orders in these two accounts."***

91. With regard to Noticees Nos. 15, 16, 17, 18, 19, 20, 21 and 22, as per the SCN, trading activity has been carried out from the trading accounts of Noticee Nos. 15, 17, 19, 20 and 21. There was intra-day trading and profit generation in these accounts before *IP*. During the *IP*, while overall GTV and GTV of intra-day trades has shown a rise, the profit generated in these accounts has doubled

during the *IP* when compared with that generated before *IP*. After the *IP*, there are no intra-day trades in these accounts and the overall GTV is almost negligible when compared with earlier periods. No front running trades are observed in these accounts after April 2022. Front running activity in these accounts have been carried out for a very short period of time and the majority of instances are common with Noticee No. 2 and his related accounts. During the alleged front running activity there have been 39 calls made/ exchanged between Noticee No. 18, Noticee No. 2 and Noticee No. 2's office. Based on all these facts, the SCN alleges in para 62.5 that *"...* ***Jitendra Kewalramani has shared the details of the impending order of the Big Client with Pinakin Shah and Raahul Shah and has then placed the orders in these two accounts."***

92. It is noted that the allegation with regard to Noticees, that after sharing the details of the impending order of the *Big Client* with Noticee Nos. 9, 13, 18 and 22. Noticee No. 2 placed the orders in the accounts of Noticee Nos. 8, 10, 12, 14, 15, 17, 19, 20 and 21. All these Noticees have also admitted the allegation to the extent that they did not trade in these accounts but have denied that they were having knowledge about the impugned non- public information.

93. The SCN, in Para 77.4, alleges *qua* all these Noticees that: "*There is frequent communication between these clients/ spouses of clients and Jitendra Kewalramani. In case of some clients, this communication has taken place around the time the FR orders have been placed. Hence, these clients may have indirectly, been in possession of the details of the impending orders to be placed on behalf of the Big Client, through Jitendra Kewalramani.*" It is noted from the SCN that Noticee No. 9 had 96 calls with Noticee No. 2 during the front running period in the accounts of Noticee Nos. 8 and 10, similarly Noticee No. 13 had 18 calls with Noticee No. 2 during the front running period in the accounts of Noticee Nos. 12 and 14. Further, Noticee Nos. 18 and 22 had with Noticee No. 2 had 34 calls and 10 calls respectively with Noticee No. 2 during the *IP*.

94. It is curious to note that while SCN has acknowledged that Noticee No. 2 placed the orders in the accounts Noticee Nos. 8, 10, 12, 14, 15, 17, 19, 20 and 21, it has concluded in para 86 that all the Noticees have front run the orders of the *Big Client*. Para 86 ends with sentence that: - "*Further, it is alleged that the information of the impending orders of the Big Client has been passed on by Kuntal Goel to Jitendra Kewalramani through Samir Kothari."*

95. Be that as it may, calls between Noticee No. 2 and Noticee Nos. 9, 13, 18 and 22 during the *IP per se* cannot lead to conclusion as recited in para 86 *qua* the Noticee Nos. 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21 and 22 that they themselves traded ahead of the impending order of the *Big*

Client. The allegations and foundational facts as brought out in the SCN establish that Noticee No. 2 was in communication with these Noticees but it was he who, himself, placed orders in the accounts of Noticee Nos. 8, 10, 12, 14, 15, 17, 19, 20 and 21 as claimed by these Noticees. The SCN clearly states that the trades in the above account was done by Noticee No. 2 after sharing the details of the impending order of the *Big Client* with them. In fact, the basis of the SCN itself is as claimed by these Noticees that Noticee No. 2 insisted Noticee No. 9 and 13 to open trading account with Angel One stating that he will generate profit. Noticee Nos. 8, 9, 11, 13, 16, 17, 18, 20 and 22, admittedly gave control of their trading accounts/ trading account of their HUF to Noticee No. 2 and they had no knowledge of the alleged front running activity being carried in their account. Noticee Nos. 8 and 10 have also demonstrated the same based on an email dated September 13, 2022 from Noticee No. 2 to one Siddhivinayak Construction stating to take the print outs of the trade confirmation sheets and put their signature on it.

96. Thus, it is established that these Noticees themselves did not indulge in front trading ahead of impending orders of *Big Client* but these Noticees knowingly allowed the trading accounts of Noticee Nos. 8, 10, 12, 14, 15, 17, 19, 20 and 21 to be used by the *main front runner* as alleged for generating profit in their accounts. Thus, they are part of the entire scheme being beneficiaries of the fraudulent acts and knowingly lending the control of their respective accounts to Noticee No.2.

Noticee Nos. 23 and 24.

97. As per the SCN, there is no specific allegation with regard to the Noticess as it is for others as discussed above. The only specific allegation is in para 65.6 that "*Jitendra Kewalramani has funded two of the alleged front running trades in the account of Soniya Bohra by loaning her funds through her husband, Mahesh Bohra."*. The basis of allegation as per the SCN are:
    (a) Call between Noticee No. 2 and Noticee No. 24,
    (b) Funding of two of the alleged front run trades in the account of Noticee No. 23 by Noticee No. 2 through Noticee No. 24, and
    (c) Visit of Noticee No. 24 to the office of Noticee No. 2 in Santacruz, Mumbai.

98. Admittedly, trading account of Noticee No. 23 was handled by her husband Noticee No. 24 and he had not traded in his own account. It is noted that, as per SCN, on just one out of the 5 dates of alleged front running trades, there was a solitary call between Noticee No. 2 and Noticee No. 24, who is the husband of Noticee No. 23 (a client of Angel One). The trading account of Noticee No. 23 was opened during the *IP* on March 04, 2022 and the trading activity was carried out from the trading account from March 08, 2022 to April 08, 2022. Out of 6 front run instances, 4 were

common with front running trades of Noticee No. 2 making an intra-day profit of Rs.7.02 Lakhs. Noticee No. 2 had lent Rs. 8 lacs to Noticee No. 24 on April 4, 2022 which was returned on April 13, 2022.

99. The Noticee Nos. 23 and 24 have demonstrated from the SCN itself that in 5 out of 6 alleged instances of front running as alleged in the SCN, both legs of the orders of the Noticees were placed before the order of *Big Client* and in one instance there was a small time difference between order by the Noticee and *Big Client*. On perusal of the impugned trades in the account of Noticee No. 23, I note that in those 5 instances both legs of the orders were placed before the order of the *Big Client*, as such those trades cannot be classified as front run trades. Considering the fact as admitted in the SCN itself that during entire 5 front running days there was only one call between Noticee No. 24 and Noticee No. 2 and that the Noticee No. 24 had been visiting him for as he was in sales job, the allegation against these notices are not established on the desired level of probability. The foundational facts are also not strongly established. Hence, I give benefit of doubt to Noticee Nos. 23 and 24.

Noticee No. 26.

100. There is no specific separate allegation against Noticee No.26 in the SCN. Noticee No. 26 has not traded in his own account but has traded in account of his wife i.e. Noticee No. 25 who has settled the proceedings without admitting or denying the allegations by paying ₹57,20,000/- (Rupees fifty-seven lakh twenty thousand) as the settlement amount *(i.e. more than 8 times of the amount alleged as wrongful gain in her account)* vide the aforesaid settlement order dated December 19, 2024. This is not a case of account lending as the case of above mentioned few cases. It is case simpliciter of trading by husband in account of wife. The basis of allegation against husband and wife is same. Since there is no allegation qua Noticee No. 26 and his role is not dealt with in the SCN and his wife has already settled the cause of action against both it may not be reasonable to penalise the Noticee No. 26. I, therefore, drop the proceedings *qua* Noticee No. 26.

Noticee Nos. 27 and 28.

101. On perusal of relevant paras of SCN where name of Noticee Nos. 27 and/or 28 appears following facts are deduced: -

    (a) Trading account of Noticee No. 27 (HUF of Noticee No. 28) was opened with Angel One in February 2021 i.e. during *IP* and there was intra-day trading and there was intra-day trading and profit in this account after December 2021;

(b) Trading activity has been carried out from this trading account for a very short period from December 16, 2021 to December 23, 2021 during the IP;

(c) There were 6 alleged front running instances in this trading account making profit of Rs. 6.11 lakhs and all such instances are common with trades of Noticee No. 2;

(d) Post *IP*, there was no intra- day trading in this account

(e) Noticee No. 28 visited office of Noticee No. 2 to place orders in the said account;

(f) There were 11 calls exchanged between Noticee No. 2 and Noticee No. 28 and none of these calls were on any of the alleged front running period;

(g) Rs.1,90,000/- were transferred on January 11, 2022 from the wife of Noticee No. 28 to HUF account of Noticee No. 5.

(h) Noticee No. 28 personally visited the office of Noticee No. 2 to place orders in account of Noticee No. 27.

(i) Noticee No. 2 would sometimes recommend on the basis of information received from friends, etc.

102. The basis of allegation as stated above suggest connection of Noticee No. 28 with Noticee No. 2. Noticee No. 28 has contended that he had been regularly visiting office of Noticee No. 2 for trading based on his recommendations and never had any reason to believe his recommendations were based on any non- public information.

103. Noticee Nos. 27 and 28 have also contended that the allegations in the SCN are vague and based on assumptions and are not specific and there is no sufficient evidence to establish their role in the alleged front running activities. According to them, the SCN has alleged communication and passing of non-public information through channels other than telephonic conversations without any evidence to support such allegation and the SCN has relied on conjectures and surmises to allege the violation of PFUTP Regulations against them as in para 77.4 and para 93.1 of the SCN, the allegation is made saying that these Noticees *"may have"* been in possession of details of impending orders and no material has been provided by SEBI to substantiate the said claim. In the absence of any direct, corroborative, or circumstantial evidence, the serious charge of '*fraud'* under the PFUTP Regulations cannot be sustained. In support of these contentions, they have relied upon the order passed by the Hon'ble SAT in the matter of ***Samir C Arora v. SEBI (Appeal No. 83 of 2004)***.

104. The SCN nowhere makes any specific allegation or charge against Noticee Nos. 27 and 28 but has included them in the concluding paras 77 and 86 by way of a general charge *qua* them. When seen along with totality of facts, such as–

(a) Connection of Noticee No 28 with Noticee No. 2 during frequent visits to his office and placing order based on his recommendation;
(b) Six instances in the trading account of Noticee No. 27 being common with Noticee No. 2, i.e. a similar pattern as in the case of other Noticees discussed hereinabove,
(c) Trading in the account of Noticee No. 27 being HUF of Noticee 28 in short span of time on the recommendation of Noticee No. 2; and
(d) Stopping such trading patter after the *IP;*

the case Strongly suggest that the said 6 trades in the account of Noticee No. 27 done by Noticee No. 28 based on the recommendation of Noticee No. 2 were on the basis of non –public information about impending orders of the Big Client and were not a coincidence as sought to be contended by Noticee No.28.

105. Absence of calls between Noticee No. 28 and Noticee No. 2 is not material condition to establish communication. Recommendation, personal visit and reliance on recommendation is sufficient to draw a reasonable inference about strong possibility of communication of non– public information which Noticee No. 2 was sharing with many including the Noticee No. 28 during the *IP*.

Noticee Nos. 29 and 30.

106. On perusal of relevant paras of SCN where name of Noticee Nos. 29 and/or 30 appears following facts are deduced: -
   a. Trading account of Noticee No. 29 (HUF of Noticee No. 30) was opened with Angel One in March 16, 2022 i.e during *IP*;
   b. Trading activity has been carried out from this trading account for a very short period from March 22, 2022 to June 15, 2022 during the *IP*;
   c. There were 7 alleged front running instances in this trading account making profit of Rs. 8.41 lakhs and 4 such instances are common with trades of Noticee No. 2;
   d. Post *IP*, there was no intra- day trading in this account
   e. Noticee No. 30 visited office of Noticee No. 2 to place orders in the account of Noticee No. 29;
   f. There were 25 calls exchanged between Noticee No. 2 (including calls made to his office and employees) and Noticee No. 30 and none of these calls were on any of the alleged front running period;

g. Noticee No. 30 visited the office of Noticee No. 2 to place orders in account of Noticee No. 29 or may have placed them over WhatsApp calls on the recommendations of Noticee No. 2 would sometimes recommend on the basis of information received from friends, etc.

107. The basis of allegation as stated above suggest connection of Noticee No. 30 with Noticee No. 2. Noticee No. 30 has contended that he had been regularly visiting office of Noticee No. 2 for trading based on his recommendations and never had any reason to believe his recommendations were based on any non- public information.

108. These Noticees have contended that the alleged front run trades cannot be called as front run trade because (i) both legs of the orders of the Noticees were placed before the order of *Big Client* (in three instances) or (ii) there is a small time difference between order by the Noticee (in four instances) and the trades of the *Big Client*. They have also sought to withdraw some of the statements given on oath before Investigating Officer.

109. Noticee No. 30 has filed an affidavit seeking to withdraw his statements on oath made before Investigating Officer stating that the same had been made under the influence of Noticee No. 2. These statements now being retracted by these Noticees are as follows:

"7. During the period Jan 01, 2021 to October 31, 2022 (investigation period), who has placed orders in the trading account of Dr. Kumaraswami R Dussa HUF?

Answer: I have placed the orders. Sometimes I have placed orders by speaking with Jitendra Kewalramani on mobile or by physically visiting his office. Most of the calls would be WhatsApp calls.

11. Who has placed orders in your HUF trading account?

Answer: I have placed the orders.

13. Did you share any details such as password, account login details with Jitendra Kewalramani?

Answer: I do not recollect sharing any such details with Jitendra Kewalramani.

14. Have you ever physically visited the office of Jitendra Kewalramani, NJK Securities i.e., Shop No 59, 1st Floor, Hi Life, PM Road, Santacruz (w), Mumbai – 400054?

Answer: I may have visited his office 2-3 times to place order instructions but mostly I have placed orders by speaking with Jitendra Kewalramani on mobile."

110. Noticee No. 30 in his statement submitted that he either physically visited the office of Noticee No. 2 to place orders in his account or may have placed them over WhatsApp calls. However, in his submissions, have stated that he did not visit the office of Noticee No. 2 for placing orders and Noticee No. 2 placed orders in his account without any prior instructions or confirmation from him and further at the time of front running activity in the trading account of Noticee No. 29 he was deployed for COVID related duty in Byculla, Mumbai and also visited Kashmir, Leh and Ladakh having no network and thus he could not place the front run orders as per the SCN. In support of the aforesaid, the Noticee has submitted his attendance sheets at Municipal Corporation of Greater Mumbai Richardson and Cruddas Jumbo COVID-19 Centre, Sir Jamshedji Jeejeebhoy Road, Byculla, Mumbai – 400008 from March 01, 2022 to June 30, 2022 and flight tickets evidencing he was not in Mumbai from June 10, 2022 to June 20, 2022.

111. On perusal of the aforesaid attendance sheets I note that the details with respect to the in time and out time of the Noticee No. 30 is left blank for all the attendance sheets. I find it plausible, when seen in light of the statement of Noticee No. 30 that he travelled to the office of Noticee No. 2 to place the front running orders in the trading account of Noticee No. 29 between his COVID-19 related duty considering that the approximate distance between Byculla (where the aforesaid COVID-19 centre was placed) and Santacruz (office of Noticee No. 2) is only 14 kilometres. Further, I also differ with the contention of Kashmir, Leh and Ladakh not having mobile connectivity as those places although have irregular mobile network but there exists both mobile and internet connectivity in all those places and its possible to communicate via WhatsApp calls. Thus, I find no merit to the evidence furnished in support of the said contention of the Noticees.

112. I note that Hon'ble SC in ***Pullangode Rubber Produce Co. Ltd v. State of Kerala and Ors.***[6] has held that an admission of doing some act is an extremely important piece of evidence but it cannot be said to be conclusive and it is open to the person who made the admission to show that it is incorrect. Considering aforesaid, in the present matter, I find that these Noticees have neither been able to demonstrate that the statement on oath given by them before Investigating Officer is incorrect nor that the statement was made under undue influence of Noticee No. 2.

113. In light of above, the request of the Noticees seeking withdrawal of their statement on oath is rejected.

[6] *MANU/SC/0386/1971*

114. On perusal of the trades of Noticee No. 29, I note that in respect of the three alleged instances of front running both legs of the orders were placed before the order of the *Big Client*, and agree that such trades cannot be classified as front run trades. I find no merit to the contention that, in four instances, there was a small time difference between the trades of the Noticee and the *Big Client*, as in front running the first leg of front running trade is often placed close to the order of the *Big Client* so as to encash on the increase/ decrease in the price of the security due to the trading activity of the *Big Client.* Thus, there are four instances of front run trades in the account of Noticee No. 30. In light of the above, I find the Noticee Nos. 29 and 30 to be involved in the present scheme of front running the orders of the *Big Client*.

115. The SCN nowhere makes any specific allegation or charge against Noticee Nos. 29 and 30 but has included them in the concluding paras 77 and 86 by way of a general charge *qua* them. When seen along with totality of facts as follows, strongly suggest that the said 4 trades in the account of Noticee No. 29 done by Noticee No. 30 based on the recommendation of Noticee No. 2 were on the basis of non –public information about impending orders of the Big Client: –

(a) Connection of Noticee No. 30 with Noticee No. 2 during visits to his office, frequent calls, placing order based on his recommendation;
(b) Instances in the trading account of Noticee No. 29 being common with Noticee No. 2, i.e. a similar pattern as in the case of other Noticees discussed hereinabove,
(c) Trading in the account of Noticee No. 29 being HUF of Noticee No. 30 in short span of time on the recommendation of Noticee No. 2; and
(d) Stopping such trading pattern after the *IP;*

116. Absence of calls between Noticee No. 30 and Noticee No. 2 on the dates the front running trades took place, is not a material condition. The aphorism Martin Rees or Carl Sagan *"absence of evidence is not evidence of absence"* clearly applies here. To establish communication and recommendation, personal visits and reliance on recommendation is sufficient to draw a logical and reasonable inference about strong possibility of communication of non– public information which Noticee No. 2 was sharing with many including the Noticee No. 29 during the *IP*.

Conclusion.

117. The prohibition of front running trades and declaring it fraudulent trading under Regulation 4(2)(q) of the PFUTP Regulations is predominantly based on the parity of information theory. Under this theory, fraudulent trading results due to information disparity caused by those who possess/

receive and trade based on the non-public information about impeding trades of the *Big Client*. There is also no dispute as to the facts that there was substantial increase in intra-day trading and substantial increase in square-off profit in the accounts of these Noticees. Post – *IP*, trading activities of all these Noticees had substantially reduced from that of *IP*. The impugned trading pattern in the above accounts of the concerned Noticees stopped on June 29, 2022, i.e., the date on which initial query was made by SEBI to the *Big Client*. Further, these Noticees/ their respective spouse/ HUF have made substantial square-off profit on the days when the trades in the respective account occurred in common scrips with the *Big Client*. Also, the trades in accounts of concerned Noticees happened in substantial quantities in scrips in the front running instances when compared with quantities traded in that scrip in prior period. All the respective Noticees have also admitted to the fact of profits earned in their accounts and have not claimed, except Noticee No. 6, 7, 27, 28, 29 and 30, that they were genuinely trading, and have submitted that their trading accounts were used by Noticee No. 2 or trades were based on his recommendation without they having knowledge about the impugned non- public information. While certain Noticees have claimed to have visited the office of Noticee No. 2 to place the orders, some have claimed that Noticee No. 2 had assured them of profits in their accounts and that they have not placed any orders. However, none of these clients have denied the abnormal profit that has been generated in their trading accounts in such a short span of time.

118. The Connectedness between alleged entities behavioural consistency, trading pattern, commonality of trades with Noticee No. 2, the *main front runner*; and making profits out of those trades cumulatively show the strong probability against these Noticees. The facts and circumstances of this case clearly demonstrate role of those Noticees who either traded in their own accounts or in the accounts of their HUFs or spouse motivated by eventual profits based on non-genuine trading. The greed for easy profit is clearly demonstrated on the part of these Noticees based on the above facts and circumstances. The case is a clear example of a situation which is described in *Hitopdesha* as 'लोभः पापस्य कारणम्' i.e. Greed is the reason for all sins.

119. It is pertinent to mention that there is no scale to measure fraudulent, deceptive and manipulative device, plan and artifice involving fraud by indulging in front running and the findings in that regard would depend on inferences drawn from a mass of factual details. Findings on the basis of higher preponderance of probability, in this regard, can also be gleaned from patterns of transactions/dealings, conduct and behaviour of connected parties, other machinations employed to achieve the designed purpose. In the instant case, the above facts and circumstances suggest strong probability of the Noticees being motivated by the impugned non- public information which was

lying exclusively with Noticee No. 2/ Noticee No. 5 who had received the same from Noticee No. 1. The opening of trading accounts by the Noticees within proximity of trades, their connection with Noticee No. 2, calls and visits within close proximity of impugned trades admissions about trading on the recommendation of Noticee No. 2 or knowingly allowing him to trade in their account or in the accounts of their spouse or HUF as described in the SCN strongly suggest that the trades in their accounts were non-genuine and were based on the impugned non-public information. It cannot be just a coincidence that a large number of entities will indulge in similar pattern of trading unless they have a motive to earn profits from non- genuine trades with a designed purpose and scheme. In this case, there is no material to indicate *inter se* connection amongst all the Noticees or any concerted action by all of them acting in common league. The only connecting link is Noticee No. 2/ Noticee No. 5 who were in know of the impugned non-public information and prompts others to trade or uses their accounts to trade. This fact further corroborates the fact that such trades were motivated by the tips about the impugned non-public information and such tips were certainly received from Noticee No. 2/ Noticee No. 5, as the case may be. This kind of trading behaviour cannot be for a charity but to allow these Noticees to earn non – genuine profits. Thus, the close connection of the Noticees with Noticee No. 2/ Noticee No. 5 and transmission of non –public information is established with clinching circumstantial evidence of communication of non-public information and trading based on the same.

120. The entire gamut of events commencing from the typical gambit of opening of trading accounts within close proximity of trading, indulging in frequent calls, visiting place of information carrier, allowing the information carrier to use the trading accounts or self-indulgence in unrealistic trading behaviour show a classic example of non-genuine treading to earn illegal gains or at least lending trading account to make illegal profits based on fraudulent trading. The case is also a classic example of the touch-me-not distancing through husband using spouse's account or HUF's account and culminating in the final denouement wherein connected parties with all their manipulative assemblage came to the fore setting a seal on their machinations of fraudulent, manipulative and deceptive dealings for the benefit of those traders who traded or caused to be traded in the scrips based on the non-public information regarding impending orders of the *Big Client*. The whole picture on the canvass suggests tell- tale strands of how each one of the connected entities at various sequences in the chain has catalysed the misuse of non- public information for their own benefit in a web of make believe trickery to mislead and obfuscate, to the final confluence of making wrongful gains from fraudulent trading.

121. The whole episode shows unwarranted interference in the operation of ordinary market forces and undermines the integrity and efficiency of the market. The scope of prohibition under Section 12A,

and regulations 3 and 4 of the PFUTP Regulations are of wide amplitude and would therefore take within its sweep the inducement and enticement to bring about inequitable result which has happened in this case instant case. The information in the instant case was acquired in bad faith thereby inducing inequitable result.The concerned parties having received the impugned non – public information and trading on that basis and those, who allowed trading in their accounts on the basis of said non- public information disturbed the basic tenets of fairness in the securities market i.e. of having a level playing field. In the instant case, the playing field was uneven because of inequalities in information, trading based on non –public information, lending control of accounts etc. The unequal possession of information is certainly fraudulent when the information has been acquired in bad faith and thereby inducing an inequitable result for others.

122. In view of all the aforesaid findings, the front running transactions and the basis of the allegations as described in the SCN, except as otherwise found hereinabove stand established and the Noticee Nos. 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 27, 28, 29 and 30 have indulged in front running the orders of the *Big Client* and have violated the provisions of Section 12A (a), (b), (c) and (e) of SEBI Act and Regulations 3 (a), 3 (b), 3 (c), 3(d), 4(1) and 4(2)(q) of the PFUTP Regulations. In this case, conduct of Noticee Nos. 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 27, 28, 29 and 30 in indulging in front running of trades or lending the account to *main front runner* for making unlawful gains is contumacious and must be dealt with impunity.

123. No allegations have been levied in the SCN against Noticee Nos. 9, 11, 13, 16, 18, 22, 28 and 30 as the said Noticees have not traded in any scrip and have been included as a party only on account of being Karta of their respective HUFs i.e. Noticee Nos. 10, 12, 14, 15, 19, 21, 27 and 29. There is also inconsistency in including the Karta of the HUF as a party, the SCN has included Kartas of all the HUFs except the Karta of Noticee No. 17 (Randhir Virji Shah HUF) as a party in these proceedings. In this respect I note that AO of SEBI vide his order dated February 24, 2021 in the matter of ***Garware Ployester Limited*** penalized the HUF and its Karta separately as the Karta therein was also acting as the stock broker of the HUF. Further, SEBI has, in many cases, involving violations of PFUTP Regulations, proceeded only against the HUFs and penalised the HUFs without making Karta a Noticee or fastening any liability on him. Few such orders are given as example in following table:

Table No. – 24

Order Reference No.	**Name**	**Date**
WTM/PS/74/IVD/ID-05/JAN/11	Order in respect of P.L. Choudhury and Co., Sabitridebi Choudhury and Pawankumar	January 21, 2011

	Choudhury HUF in the matter of Prudential Pharmaceuticals Ltd	
WTM/MPB/EFD1-DRA4/03/2019	Order in the matter of Shree Shaleen Textiles Ltd. With respect to M/s. Nishith M Shah HUF	January 08, 2019
ADJUDICATION ORDER NO. Order/AK/JR/2025-26/31501	Adjudication order in respect of Satish Agrawal HUF in the matter of dealings in Illiquid Stock Options at BSE	June 27, 2025
ADJUDICATION ORDER NO. Order/MC/DS/2020-2021/9626-9627	Adjudication Order in respect of Anita Gupta and Dhirendra Kumar Gupta and Sons HUF in the matter of PMC Fincorp Limited	November 24, 2020

124. Therefore, without going into legality of liability of Karta, as matter of consistency, I do not issue any direction or impose any penalty on Noticees Nos. 9, 11, 13, 16, 18, 22, 28 and 30 and proceed to examine the nature of direction and/or imposition monetary penalty on Noticee Nos. 6, 7, 8, 10, 12, 14, 15, 17, 19, 20, 21, 27 and 29.

125. The SCN contemplates directions under Sections 11(1), 11(4), and 11B (1), 11B (2), 15HA and also the imposition of monetary penalty under Sections 11B (2) and 11(4A) read with Section 15HA of the SEBI Act for the aforesaid violations. The relevant provisions of Sections 11(1), 11(4), 11(4A), 11B (1), 11B (2), 15HA of the SEBI Act are reproduced below:

11. (1) Subject to the provisions of this Act, it shall be the duty of the Board to protect the interests of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit.
(4) Without prejudice to the provisions contained in sub-sections (1), (2), (2A) and (3) and section 11B, the Board may, by an order, for reasons to be recorded in writing, in the interests of investors or securities market, take any of the following measures, either pending investigation or inquiry or on completion of such investigation or inquiry, namely: —
(a) suspend the trading of any security in a recognised stock exchange;
(b) restrain persons from accessing the securities market and prohibit any person associated with securities market to buy, sell or deal in securities;
(c) suspend any office-bearer of any stock exchange or self-regulatory organisation from holding such position;
(d) impound and retain the proceeds or securities in respect of any transaction which is under investigation;

(e) attach, for a period not exceeding ninety days, bank accounts or other property of any intermediary or any person associated with the securities market in any manner involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder:

Provided that the Board shall, within ninety days of the said attachment, obtain confirmation of the said attachment from the Special Court, established under section 26A, having jurisdiction and on such confirmation, such attachment shall continue during the pendency of the aforesaid proceedings and on conclusion of the said proceedings, the provisions of section 28A shall apply:

Provided further that only property, bank account or accounts or any transaction entered therein, so far as it relates to the proceeds actually involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder shall be allowed to be attached;

(f) direct any intermediary or any person associated with the securities market in any manner not to dispose of or alienate an asset forming part of any transaction which is under investigation:

Provided that the Board may, without prejudice to the provisions contained in sub-section (2) or sub-section (2A), take any of the measures specified in clause (d) or clause (e) or clause (f), in respect of any listed public company or a public company (not being intermediaries referred to in section 12) which intends to get its securities listed on any recognised stock exchange where the Board has reasonable grounds to believe that such company has been indulging in insider trading or fraudulent and unfair trade practices relating to securities market :

Provided further that the Board shall, either before or after passing such orders, give an opportunity of hearing to such intermediaries or persons concerned.

(4A) Without prejudice to the provisions contained in sub-sections (1), (2), (2A), (3) and (4), section 11B and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.

11B. (1) Save as otherwise provided in section 11, if after making or causing to be made an enquiry, the Board is satisfied that it is necessary, —

(i) in the interest of investors, or orderly development of securities market; or

(ii) to prevent the affairs of any intermediary or other persons referred to in section 12 being conducted in a manner detrimental to the interest of investors or securities market; or

(iii) to secure the proper management of any such intermediary or person, it may issue such directions, —

(a) to any person or class of persons referred to in section 12, or associated with the securities market; or

(b) to any company in respect of matters specified in section 11A, as may be appropriate in the interests of investors in securities and the securities market.
Explanation. —For the removal of doubts, it is hereby declared that the power to issue directions under this section shall include and always be deemed to have been included the power to direct any person, who made profit or averted loss by indulging in any transaction or activity in contravention of the provisions of this Act or regulations made thereunder, to disgorge an amount equivalent to the wrongful gain made or loss averted by such contravention.

(2) Without prejudice to the provisions contained in sub-section (1), sub-section (4A) of section 11 and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.

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

126. While Section 11 deals with the functions and duties of the Board, Section 11B is on the powers of the Board. Section 11B is in a sense a functional tool in the hands of the Board and one of the measures available to the SEBI to enforce its prime duty under Section 11 by issuing directions under Section 11(4) and Section 11B (1) and/or also imposing monetary penalty under Section 11B (2) and 11(4A). I note that the power under Section 11B (2) is *pari materia* the power under Section 11(4A). In fact, the power under the both the sections are nothing but a replica of each other in two different sections. This power is not intended for inflicting same monetary penalty twice under the charging sections referred in Section 11(4A) and replicated under Section 11B (2) of the SEBI Act.

127. In the instant case, apart from the directions under Section 11(4) and Section 11B(1) the SCN contemplates disgorgement of wrongful gains of a total amount Rs.2,06,25,679.95/- from Noticee Nos. 1, 2, 3, 4, 5 and 25 and Noticee Nos. 6, 7, 8, 10, 12, 14, 15, 17, 19, 20, 21, 27 and 29. However, as per the SCN, Noticee Nos. 1, 2 and 5 are to be jointly and severally liable with the aforementioned Noticees for the disgorgement of wrongful gains. The contemplation was in view of approach that all the Noticees arrayed in the SCN were acting in concert and in league with Noticee Nos. 1, 2 and 5. However, it is noted that in terms of the settlement order dated December 19, 2024, Noticee Nos.

1, 2 and 5, have settled the case *inter alia,* by paying the entire disgorgement amount of alleged unlawful gain (Rs.2,06,25,679.95) alongwith 12% interest in this matter.

128. All the Noticees have contended that since entire amount of alleged wrongful gains in this matter has been disgorged vide the settlement order dated December 19, 2024, no disgorgement order can be issued against these Noticees. It is matter of record that the Noticee Nos. 6, 7, 8, 10, 12, 14, 15, 17, 19, 20, 21, 27 and 29 were not acting in league or concert with each other or amongst all the Noticees but were individually acting in league with the information carrier/s. Be that as it may, the entire wrongful gain has been disgorged and no further disgorgement can be done. As held by Hon'ble SAT in the matter of ***Gagan Rastogi v. SEBI (Misc. Application No. 206 of 2017)*** dated July 12, 2019, the disgorgement of funds is an equitable remedy and not a punitive measure and cannot be treated similar in nature of a penalty. In the said order, Hon'ble SAT has also referred to its earlier order in the matter of ***Dushyant N. Dalal v. SEBI*** to hold that disgorgement is not a penal action but only an equitable remedy. Further, SEBI speaking through its WTM, vide order dated July 28, 2025, in the matter of ***trading based on the stock recommendations given by Guest Experts appearing on Zee Business Channel*** has held that since the amount of alleged unlawful gains have already been disgorged as a part of the settlement proceedings, the issue of passing a direction of disgorgement of the unlawful profits has become infructuous.

129. Since the entire wrongful gain as described in the SCN has been paid as per the settlement order dated December 19, 2024, the direction of disgorgement of any unlawful gain from these Noticees cannot be issued at this stage. However, this settlement order *ipso facto* does not exonerate Noticee Nos. 6, 7, 8, 10, 12, 14, 15, 17, 19, 20, 21, 27 and 29 as sought to be contended by them.

130. Section 15HA of the SEBI Act provides for imposition of penalty in case of fraudulent and unfair trade practices committed by any person. I find that the activities of these Noticees being fraudulent in nature, attract and warrant penalty to be imposed on them under Section 15HA of the SEBI Act. The range of monetary penalty prescribed in said Section 15HA is minimum five lakh rupees upto to twenty-five crore rupees or three times the amount of profits made out of fraudulent practices, whichever is higher. However, said Section 15HA gives discretion and Section 15J of the SEBI Act mandates factors to be taken into consideration in this regard and provides for guiding factors as follows:

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

(b) the amount of loss caused to an investor or group of investors as a result of the default
(c) the repetitive nature of the default.

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

131. Coming to the terms of direction and quantum of monetary penalty on Noticee Nos. 6, 7, 8, 10, 12, 14, 15, 17, 19, 20, 21, 27, and 29, it is pertinent to mention that although the entire wrongful gains have been disgorged from Noticee Nos. 1, 2 and 5, yet the wrongful gains generated from the scheme of front running are still lying with these Noticee Nos. 6, 7, 8, 10, 12, 14, 15, 17, 19, 20, 21, 27, and 29 and they are still enjoying on account of unjust enrichment. Although the PFUTP Regulations attempt to envisage all kind of fraudulent dealings and market abuses, parties involve human ingenuity and technology for usurpation of reprehensible profits which they are not entitled to. Hence, they must be made answerable as per established tenants of rule of law without leaving incentives for fraudulent practices, based on creativity of disingenuous, to survive the legal gambits. Considering the aforesaid, I deem this case fit to issue directions restraining the Noticees from securities market and imposition of monetary penalty on the Noticees in order to meet the ends of justice.

132. For exercising the choice to issue directions and monetary penalties in the peculiar facts and circumstances of this case, I have also taken note of the number of instances of trading, active roles of respective Noticee and wrongful gains made out of fraudulent trades as found hereinabove. For the purpose of adjudication of quantum of penalty, it is relevant to mention that under Section 15I of the SEBI Act imposition of penalty is linked to the subjective satisfaction of the Adjudicating Officer. The words in the section that "*he may impose such penalty"* are of considerable significance, especially in view of the guidelines provided by the legislature in Section 15J. Further, in the explanation appended to Section 15J, which was brought vide Part VIII of Chapter VI of the Finance Act, 2017, the legislative intent has been reinforced that while adjudging the quantum of penalty the adjudicating officer has discretion and such discretion should be exercised having due regard to the factors specified in Section 15J. It is also settled position that the words *"shall be liable to*" used in the context of "*penalty*" in any statute, do not convey an absolute imperative; they are merely directory and leave it to the discretion of the authority to impose any penalty as he deems fit and commensurate with the violation. Further, having regard to the factors listed in Section 15J and the guidelines issued by Hon'ble Supreme Court of India in ***SEBI v. Bhavesh Pabari Civil***

Appeal No(S).11311 of 2013 vide judgement dated February 28, 2019, it is noted that the provisions of Section 15J has to be properly understood, and not to be mechanically applied and other factors reasonable for the facts of the case are also relevant to take into account for adjudging the quantum of penalty. I have also been guided by the principles of consistency and proportionality. The current proceedings do not entail restorative justice practice as no victim restitution is contemplated. Thus, the trade-off tends to be made more in favour of consistency and proportionality. While proportionality demands a penalty should be proportionate with the mischief it seeks to address and penalties cannot be disproportionate to the magnitude of default. No arithmetical formula can be devised to impose a fixed penalty on each case. Thus, consistency comes into play. However, given a set of alternatives, pairwise comparison matrices also come into play and different matrices may apply to a similar case if magnitude of both cases materially differ with regard to different matrices. Here again, no mathematical formula could be possible. I note, by way of example, that in similar matters SEBI has taken actions as given in following table: -

Table No. – 25

Order Date	**Name**	**Unlawful Gain**	**No. of Noticees**	**Debarment**	**Penalty Imposed**
July 30, 2024	Front running by Alka Jain (*Big Client*- Sapphire Intrex Limited) (2 Noticees)	Rs. 50,51,116	2	1 year	Rs. 5 Lakhs-10 Lakhs
May 30, 2025	Order in the matter of front running the trades of M/s Alpna Enterprises (3 Noticees)	Rs.48,11,373/-	3	1-2 Years	Rs. 8 Lakhs – 25 Lakhs
April 23, 2025	Front Running by Kajal Savla	Rs. 1,67,70,060/-	2	3 Years	Rs. 15 Lakhs – Rs. 25 Lakhs

Order and Direction

133. Considering the above facts and magnitude of the contravention in this case, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) of the SEBI Act, read with Section 19 of the SEBI Act do hereby issue the following directions:

a. The following Noticees are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated

with the securities market in any manner, whatsoever, for the period given in table, from the date of this order:

Table No. - 26

Noticee No.	Name of Noticee	PAN	Restraint period
6	Shankar Tukaram Vadatkar	ADKPV7740H	3Years
7	Sakshi Shankar Vadatkar	AMOPM1205F	2 Years
8	Chaitali Shah	AMPPS4417G	2 Years
10	Shah Swapnil Uday HUF	AASHS9305J	2 Years
12	Dipesh Mehta HUF	AAHHD8379J	2 Years
14	Piyush Mehta HUF	AAPHP0325N	2 Years
15	Hansraj Randhir Shah HUF	AAAHH0445Q	2 Years
17	Randhir Virji Shah HUF	AAEHR6492K	1 Year
19	Pinakin Hansraj Shah HUF	AAJHP5561J	1 Year
20	Punaiben Hansraj Shah	AAPPS2760Q	1 Year
21	Raahul Hansraj Shah HUF	AARHR6643F	2 Years
27	Ankesh Mahendra Jain HUF	AATHA3966J	1 Year
29	Dr Kumaraswami R Dussa HUF	AAIHD5369P	1 Year

b. It is hereby clarified that if Noticee Nos. 6, 7, 8, 10, 12, 14, 15, 17, 19, 20, 21, 27, and 29 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. These 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.

c. The Noticee Nos. 6, 7, 8, 10, 12, 14, 15, 17, 19, 20, 21, 27, and 29 are prohibited from selling their assets, properties including mutual funds/ shares/ securities held by them in demat and physical form except for the purpose of payment of penalty as directed above. Further, the banks are directed to allow debit from the bank accounts of the Noticees, only for the purpose of payment of penalty as ordered hereinafter. This direction shall cease to operate upon the payment of the respective penalty amount.

134. In light of the facts and circumstances of this case as discussed above, the factors listed in Section 15J of the SEBI Act and in exercise of powers conferred upon me under Sections 11(4A), 11B (2) and Section 15I read with Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing

Penalties) Rules,1995, I hereby impose monetary penalty under Section 15HA of the SEBI Act on the following Noticees for the violations of the provisions of the PFUTP Regulations as found in this order:

Table No. - 27

Noticee No.	Name of Noticee	PAN	Amount(Rs.)
6	Shankar Tukaram Vadatkar	ADKPV7740H	10 Lakhs
7	Sakshi Shankar Vadatkar	AMOPM1205F	5 Lakhs
8	Chaitali Shah	AMPPS4417G	15 Lakhs
10	Shah Swapnil Uday HUF	AASHS9305J	12 Lakhs
12	Dipesh Mehta HUF	AAHHD8379J	10 Lakhs
14	Piyush Mehta HUF	AAPHP0325N	12 Lakhs
15	Hansraj Randhir Shah HUF	AAAHH0445Q	10 Lakhs
17	Randhir Virji Shah HUF	AAEHR6492K	5 Lakhs
19	Pinakin Hansraj Shah HUF	AAJHP5561J	8 Lakhs
20	Punaiben Hansraj Shah	AAPPS2760Q	5 Lakhs
21	Raahul Hansraj Shah HUF	AARHR6643F	6 Lakhs
27	Ankesh Mahendra Jain HUF	AATHA3966J	5 Lakhs
29	Dr Kumaraswami R Dussa HUF	AAIHD5369P	5 Lakhs

135. Noticee Nos. 6, 7, 8, 10, 12, 14, 15, 17, 19, 20, 21, 27, and 29 shall remit/ pay the amounts of penalties mentioned against their names in the table above, within 45 days of receipt of this Order through online payment facility available on the website of SEBI i.e. SEBI i.e www.sebi.gov.in on the following path, by clicking on the payment link www.sebi.gov.in/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 of portalhelp@sebi.gov.in.

136. Noticee Nos. 6, 7, 8, 10, 12, 14, 15, 17, 19, 20, 21, 27, and 29 shall forward the details of online payment made in compliance with the directions contained in this Order to the "*The Division Chief, IVD-ID-16, Securities and Exchange Board of India, SEBI Bhavan – II, Plot No. C-7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051"* and also to email id: tad@sebi.gov.in in the format as given in the following table:

Case Name	
Name of Payee	
Date of Payment	
Amount Paid	
Transaction No.	

Payment is made for: Penalty or Disgorgement	

137. This Order shall come into force with immediate effect.

138. This order shall be served on all the Noticees herein, SEBI, recognized Stock Exchanges, Banks, Depositories and Registrar and Share Transfer Agents to ensure necessary compliance.

SANTOSHKUMAR SHUKLA
Digitally signed by SANTOSHKUMAR SHUKLA
Date: 2025.10.23 18:30:05 +05'30'

Date: October 23, 2025 **SANTOSH SHUKLA**

Place: Mumbai **QUASI JUDICIAL AUTHORITY**

SECURITIES AND EXCHANGE BOARD OF INDIA