

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[SETTLEMENT ORDER NO. SO/SM/AD/2023-24/7177]

UNDER SECTION 15JB OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT,
1992 READ WITH REGULATION 23(1) OF THE SEBI (SETTLEMENT PROCEEDINGS)
REGULATIONS, 2018

In respect of Settlement application submitted by:

Name of the Applicant	PAN
IDBI Capital Markets & Securities Ltd.	AAACI1268F

In the matter of front running by Kajal Ilesh Savla

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted an investigation into the trading activities of one, Ms. Kajal Ilesh Savla (hereinafter referred to “**By Name/Kajal Savla/Kajal**”) in the securities market. The period under investigation was from January 01, 2019 to July 15, 2022 (hereinafter referred to as “**IP/Investigation Period**”).
2. Based on the findings of investigation, SEBI alleged violation of Clause A(2) of Schedule II (Code of Conduct) under Regulation 9(f) of SEBI (Stock Broker) Regulations, 1992 (hereinafter referred to as “**Stock Broker Regulations**”) by IDBI Capital Markets & Securities Ltd (hereinafter referred to as “**Applicant**”)
3. Thus, SEBI, vide order dated January 09, 2023, appointed the undersigned as the Adjudicating Officer under Section 19 of SEBI Act read with Section 15I(1) and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as ‘**Adjudication Rules**’) to inquire into and adjudge under the provisions of Section 15HB of SEBI Act, the aforesaid alleged violation against Applicant.

4. In this regard, a Show Cause Notice bearing reference no. EAD-10/SM/AD/06831/1/2023 dated February 16, 2023 (also referred to as '**SCN**') was issued to Applicant under Rule 4(1) of Adjudication Rules to show-cause as to why an inquiry should not be initiated against Applicant and penalty, if any, not be imposed upon Applicant for the aforesaid violations alleged to have been committed by Applicant.
5. The observation/allegations levelled against Applicant in the SCN are summarized hereunder:
- a) During the investigation, SEBI observed that Ms. Kajal Ilesh Savla, trading through member Sushil Financial Services Ltd (hereinafter referred as '**Sushil Finance**') was front running/placing orders ahead of the trades of different big clients/institutional investors and squaring off the trades. Investigation revealed that orders of big clients, which were front run, were placed through a common broker i.e. the Applicant.
 - b) Further, investigation revealed that the chief dealer of Applicant named Gaurav Girish Dedhia (**hereinafter referred to as "Gaurav/Gaurav Dedhia/By Name"**) was the brother of Kajal Savla. It was observed by SEBI that Gaurav placed all the front run orders from the trading account of Kajal from his office premises of Applicant i.e. Gaurav was using his own pc/terminal at Applicant to access the website of Sushil Finance and for executing trades from Kajal's trading account held with Sushil Finance. Thus, it was observed by SEBI investigation team that Gaurav Dedhia, being the chief dealer in Applicant was the main perpetrator behind the front running activities of Kajal Savla.
 - c) SEBI observed that there was no monitoring of the checks and balances by Applicant for effective implementation of their own policies to prevent misuse of price sensitive information of the orders of their big clients and check the misdeeds of Gaurav as their Chief Dealer. Gaurav was flouting all the norms specified by Applicant such as the Code of Conduct and Ethics and the Code of Conduct for trading in securities by employees including the policy of usage on mobile phones in dealing room. Therefore, it was alleged that Applicant had failed to check the irregularities and misdeeds at its own premises by their key employee and their utter negligence in this regard resulted in front running activities by their chief dealer.

- d) Therefore, in view of the observations and allegations as recorded in the preceding paragraphs, it was alleged that Applicant has violated the Clause A (2) of Schedule II (Code of Conduct) under Regulation 9(f) of Stock Broker Regulations.

6. I note from the records that pending adjudication proceedings, Applicant proposed to settle the instant proceedings initiated against it, without admitting or denying the findings of fact and conclusions of law, through a settlement order and filed settlement application as per details given below with SEBI in terms of Regulations 3(1) and 3(2) of the SEBI (Settlement of Administrative and Civil Proceedings) Regulations 2018 (hereinafter referred to as “**Settlement Regulations**”):-

Name of the Applicant	Date of settlement application	Settlement reference No.
IDBI Capital Markets & Securities Ltd.	March 17, 2023	7177/2023

7. Pursuant to the receipt of the application, the authorized representatives of Applicant had a meeting with the Internal Committee of SEBI (hereinafter referred to as “**IC**”) on September 05, 2023. IC considered factors enumerated under Regulation 10 and Scheduled II of Settlement Regulations and recommended the terms of settlement. Thereafter, Applicant, vide e-mail dated September 18, 2023 proposed revised settlement terms (**RST**) to settle the proceedings initiated against it.
8. Further, during the IC, the applicant was asked to submit the steps taken by it to prevent the default in the instant case due to lack of monitoring of checks and balances by the Applicant. The Applicant along with the RST submitted the steps taken by it to strengthen the controls at their Institutional Dealing Desk including the copy of the engagement letter with KPMG for advising the company on strengthening of control.
9. The High Powered Advisory Committee (hereinafter referred to as “**HPAC**”) in its meeting held on November 02, 2023 considered the revised settlement terms proposed and agreed with the recommendation of IC and recommended that the request of the Applicant for settlement on payment of Rs 13,00, 000/- (Rupees Thirteen Lakhs Only) be accepted with a suggestion that the settlement terms may also include a non

monetary term that the Exchange shall verify if the applicant has system in place to prevent the recurrence of similar lapses.

10. The Panel of Whole Time Members of SEBI approved the said recommendation of the HPAC on January 05, 2024 and the same was communicated by SEBI to Applicant by email on January 23, 2024.
11. Subsequently, vide email dated March 01, 2024, BSE submitted limited purpose inspection report finding no adverse observations against the Applicant. Thereafter, the notice of demand was issued to Applicant on March 04, 2024. The Applicant vide email dated March 06, 2024 informed SEBI about the remittance of the settlement amount and the same was duly received by SEBI.
12. Therefore, in view of the receipt of the above mentioned settlement amount by SEBI and fulfilment of non-monetary term of the settlement, the instant adjudication proceedings initiated against Applicant viz. IDBI Capital Markets & Securities Ltd by way of issuance of Show Cause Notice bearing reference no. EAD-10/SM/AD/06831/1/2023 dated February 16, 2023 are disposed of in terms of Section 15JB of the SEBI Act read with Regulation 23(1) of the Settlement Regulations.
13. This order shall come into force with immediate effect. Further, in terms of Regulation 28 of the Settlement Regulations, this order is without prejudice to the right of SEBI to take any enforcement action including restoring or initiating the proceedings in respect to which this settlement order is passed, if:
 - i. Any representation made by Applicant in the settlement proceedings are subsequently discovered to be untrue; or
 - ii. Applicant breaches any of the clauses/conditions of undertakings/waivers filed during the current settlement proceedings.

14. In terms of Regulation 25 of the Settlement Regulations, a copy of this order is being sent to the Applicant viz. IDBI Capital Markets & Securities Ltd. and the order is also published on the website of SEBI.

Date: March 15, 2024

Place: Mumbai

SOMA MAJUMDER

Adjudicating Officer