

SECURITIES AND EXCHANGE BOARD OF INDIA

SETTLEMENT ORDER

[Settlement Order No. SO/EFD2/2024-25/7823]

In respect of

ANGEL ONE LIMITED

SETTLEMENT APPLICATION NO. 7823/2024

**IN THE MATTER OF FRONT RUNNING OF THE ORDERS OF BIG CLIENTS-
BHARAT KANAIALAL SHETH FAMILY TRUST BY JITENDRA KEWALRAMANI
AND ENTITIES RELATED / ASSOCIATED TO HIM**

1. SEBI had undertaken a detailed investigation to ascertain whether there was any violation of the provisions of the SEBI Act, 1992 and the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (“**PFUTP Regulations, 2003**”) by certain entities during the period from January 01, 2021 to October 31, 2022 (hereinafter referred to as the “**Investigation Period**” or “**IP**”) who were consistently placing orders ahead of the Big Clients including Bharat Kanaiyalal Sheth Family Trust (“**BKS Family Trust**”) in the Equity (cash) segment of NSE and were squaring off the same. The investigation revealed that one Mr. Jitendra Kewalramani, who was the Authorized Person (“**AP**”) of Angel One Limited (hereinafter referred to as the “**Noticee / Applicant**”) was, directly or indirectly, in possession of the details of the impending orders to be placed by the big clients. Accordingly, front running trades were allegedly executed by him in his own trading account and the trading accounts of certain other entities, who were all related / associated to him during the Investigation period.
2. It was further observed that all the alleged front runners, except two entities, had executed their front running trades through the Noticee. Mr. Jitendra Kewalramani, the AP of the Noticee was alleged to be the main front runner of the front running orders executed. It was observed that the orders executed in the accounts of his clients by the AP 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. Further, the signatures on the order instruction sheets were taken after the orders were executed. It was also observed that the AP had not maintained record of the pre-order placement and had obtained such documents from the clients after the orders were executed.

3. 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 authorized person(s) and / or their employees, including liabilities arising there from.
4. In view of the above, a Show Cause Notice dated April 24, 2024 (hereinafter referred to as the “**SCN**”) was issued to the Noticee calling upon it to show cause as to why an inquiry should not be held against it in terms of Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and why suitable monetary penalties under Section 11B(2) read with Section 15HB of the SEBI Act, 1992 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 of SEBI (Stock Brokers) Regulation, 1992, read with Regulation 9(f) of SEBI (Stock Brokers) Regulation, 1992.
5. The SCN, *inter alia*, alleged that the Noticee 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 in compliance with statutory requirements in violation of Clause A(2) and A(5) of the Code of Conduct as specified under Schedule II of the SEBI (Stock Brokers) Regulations, 1992 read with Regulation 9(f) of the said Regulations.

APPLICATION FOR SETTLEMENT OF PROCEEDING

6. SEBI had received a settlement application dated May 15, 2024 from the Applicant in terms of the SEBI (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as the “**Settlement Regulations**”) (registration no. 7823/2024) proposing to settle the instant proceeding through a settlement order without admitting or denying the findings of fact and conclusions of law.
7. Pursuant to receipt of the Settlement Application, the Authorised Representatives of the Applicant had a meeting with the Internal Committee of SEBI (hereinafter referred to as ‘**IC**’) on July 29, 2024, wherein the terms of settlement were deliberated. The IC considered the factors enumerated under Regulation 10 and Schedule II of the Settlement Regulations and permitted the Applicant to submit revised terms of settlement. Accordingly, the Applicant filed Revised Settlement Terms (‘**RST**’) vide letter dated August 02, 2024, wherein the Applicant proposed to offer Rs. 21,64,500/- (Rupees Twenty-One Lakh Sixty-Four Thousand Five Hundred Only) towards settlement amount. Further, the Applicant has, along with the RST, submitted details of the corrective action/ measures put in place by it to prevent re-occurrence of similar violations. The said settlement application was placed before the High Powered Advisory Committee (‘**HPAC**’) in its meeting held on August 14, 2024 for consideration. Accordingly, the HPAC considered the RST proposed by the Applicant and recommended the case for settlement. The recommendation of the HPAC was thereafter placed before the Panel of Whole Time Members of SEBI in terms of Regulation 15 of the Settlement Regulations, which was duly accepted by the Panel of Whole Time Members on September 12, 2024. The same was communicated to the Applicant, vide email dated September 20, 2024.

8. Accordingly, the Applicant, vide email dated September 23, 2024, has informed SEBI about the remittance of the settlement amount by it and the same was confirmed by the concerned department of SEBI.

ORDER

9. On the basis of the aforesaid, in exercise of the powers conferred under Section 15JB read with Section 19 of the SEBI Act, 1992 and in terms of Regulations 23 read with Regulation 28 of the Settlement Regulations, it is hereby ordered that the instant proceeding initiated against the Applicant, vide Show Cause Notice dated April 24, 2024, is disposed of as per the following terms:
- 9.1** SEBI shall not initiate any other enforcement action against the Applicant for the said violation; and
- 9.2** Passing of this Order is without prejudice to the right of SEBI under Regulation 28 of the Settlement Regulations to initiate any enforcement action against the Applicant, if SEBI finds that:
- 9.2.1** any representations made by the Applicant in the settlement proceedings is subsequently found to be untrue; or
- 9.2.2** the Applicant has breached any of the clauses / conditions of undertakings waivers filed during the current settlement proceedings; or
- 9.2.3** there was a discrepancy while arriving at the settlement terms.
10. This settlement order is passed on the 27th Day of September, 2024 and shall come into force with immediate effect.
11. In terms of Regulation 25 of the Settlement Regulations, copies of this order are being sent to the Applicant, Angel Broking Limited and also to the SEBI.

Date: September 27, 2024
Place: Mumbai

DR. ANITHA ANOOP
CHIEF GENERAL MANAGER
SECURITIES AND EXCHANGE BOARD OF INDIA