BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/SM/KH/2023-24/26588]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992, READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of

Late Parag Vindorai Doshi

[PAN: AGTPD8672L]

In the matter of Trading in Illiquid Stock Options at BSE

FACTS OF THE CASE IN BRIEF:

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") observed large scale reversal of trades in stock options segment of Bombay Stock Exchange (hereinafter referred to as "**BSE**"). SEBI observed that such large scale reversal of trades in stock options led to creation of artificial volume at BSE. In view of the same, SEBI conducted an investigation into the trading activities of certain entities in illiquid stock options at BSE for the period April 1, 2014 to September 30, 2015 (hereinafter referred to as "**IP**").

2. Pursuant to investigation, it was observed that a total 2,91,744 trades comprising 81.40% of all the trades executed in stock options segment of BSE during the IP were trades which involved reversal of buy and sell positions by the clients and their counterparty on the same day. The aforesaid trades which resulted into creation of artificial volume in stock options segment of BSE during the IP were alleged to be non-genuine trades. It was observed that Parag Vinodrai Doshi [PAN: AGTPD8672L] (hereinafter referred to as the "**Noticee**") was one of the various entities who indulged in execution of reversal trades in stock options segment of BSE during the IP. Such trades were alleged to be non-genuine in nature and created false or misleading appearance of trading in the illiquid stock options and therefore, were alleged to be manipulative and deceptive in nature. In view of the same, SEBI initiated adjudication proceedings against the Noticee for alleged violation of the provisions of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations, 2003**").

APPOINTMENT OF ADJUDICATING OFFICER

3. Vide order dated August 18, 2021, SEBI appointed Mr. Parag Basu (hereinafter referred to as "**erstwhile AO**"), as Adjudicating Officer under Section 15I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act'**) read with Section 19 of the SEBI Act and Rule 3 of the 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 15HA of SEBI Act, the aforesaid alleged violation by Noticee. The appointment of the erstwhile AO was communicated vide communique dated September 30, 2021. Pursuant to the transfer of the erstwhile AO the case was transferred to Dr. Anitha Anoop. Thereafter, vide order dated September 06, 2022, the undersigned was appointed as the Adjudication Officer (hereinafter

referred to as "**AO**") in this matter. The appointment of the AO was communicated vide communique dated September 19, 2022.

<u>SHOW CAUSE NOTICE AND REPLY</u>

4. A Show Cause Notice dated August 30, 2022 (hereinafter referred to as '**SCN**') was sent to the Noticee through SPAD and it got delivered on September 03, 2022, to the Noticee's address under Rule 4(1) of the Adjudication Rules to show-cause as to why an inquiry should not be initiated against him for the alleged violation of Regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of PFUTP Regulations, 2003 and why penalty should not be imposed under section 15HA of the SEBI Act, for the aforesaid violations alleged to have been committed by Noticee. In the SCN, the Noticee was also informed about the SEBI Settlement Scheme, 2022, in terms of Regulation 26 of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 in the matter of Illiquid Stock Options. It was also stated in the SCN that in case, Noticee does not wish to avail of the facility under the SEBI Settlement Scheme, 2022, reply to the SCN was to be filed within 30 days of the receipt of the SCN. The SCN was duly served to the Noticee through Speed-post. The records show that there was no reply filed in respect of the charges in the SCN and the Noticee also did not avail the Settlement Scheme.

5. Vide hearing notice dated April 20, 2023, and served on Noticee through digitally signed email, the Noticee was granted an opportunity of hearing on May 04, 2023, which the Noticee failed to attend. Subsequently, vide email dated April 26, 2023, Jalpa Doshi, wife of Noticee, enclosed a reply from the wife of the Noticee along with a copy of the Death certificate of the Noticee, issued by the Health Department, Municipal Corporation of Greater Mumbai. On perusal of the death certificate bearing registration number 796001722, I note that Noticee passed away on November 19, 2015. In this regard, it would be in the fitness of things to

first decide as to whether on the death of the Noticee, the present adjudication proceedings against him would continue or abate.

6. In this context, it is worth mentioning that in Girijanandini Vs Bijendra Narain (AIR 1967 SC 2110), the Hon'ble Supreme Court held that in case of personal actions, i.e., the actions where the relief sought is personal to the deceased, the right to sue will not survive to or against the representatives and in such cases the maxim *actio personalis moritur cum persona* (personal action dies with the death of the person) would apply. It is also relevant to refer to the decision of Hon'ble Securities Appellate Tribunal in Chandravadan J. Dalal vs. SEBI (Appeal No. 35/2004 decided on June 15, 2005) wherein it was held that: *"The appeal abates since the appellant during the pendency of the appeal died on 29th November 2004. The appeal accordingly abates. The penalty imposed on the original appellant being personal in nature also abates."*

7. In view of the foregoing and placing reliance on the aforesaid judgements, I find that the instant adjudication proceedings against the Noticee are liable to be abated without going into the merits of the case and the SCN dated August 30, 2022 issued against him is disposed of accordingly.

8. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to SEBI and to the last known address of deceased Noticee as well as to the last known address as well as email id of Jalpa Doshi, who informed SEBI about the demise of the Noticee and who is stated to be the wife of the deceased Noticee.

Place: Mumbai **SOMA MAJUMDER**

Date: May 23, 2023 **ADJUDICATING OFFICER**