BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/BM/UR/2022-23/18032-18033]

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

Noticee Name	PAN
Jasmine Piyush Karia	ARDPK6197Q
Piyush Vasantbhai Karia	APYPK3430R

In the matter of Quest Investment Advisors Private Limited.

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted investigation in the trading activities of certain entities alleged to be front running the trades of Quest investment advisors private limited (hereinafter referred to as **Quest**) during the period March 01, 2019 – July 31, 2020 to ascertain whether there was any violation of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**") and SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations**').

2. Based on the findings of the investigation, it was alleged that Jasmine Piyush Karia (hereinafter referred to as "**Noticee 1**") and Piyush Vasantbhai Karia (hereinafter referred to as "**Noticee 2**") (hereinafter collectively referred to as "**Noticees**") had violated the provisions of regulations 2 (1) (c), 3 (a), 3(b), 3(c), 3(d), 4(1) and 4(2) (q) of PFUTP Regulations and Sections 12A(a), (b) and (c) of SEBI Act.

APPOINTMENT OF ADJUDICATING OFFICER

3. The undersigned was appointed as Adjudicating Officer (hereinafter referred to as "**AO"**) under Sub-section 1 of Section 15-I of SEBI Act, 1992 read with Section 19 of SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and imposing penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') conveyed vide communique dated October 20, 2021 to inquire into and adjudge under the aforesaid alleged violations against the Noticees, and if satisfied that the Noticees are liable, impose such penalty as it deems fit in terms of Rule 5 of Adjudication Rules and Section 15HA of the SEBI Act.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A common Show Cause Notice dated April 19, 2022 (hereinafter referred to as '**SCN**') bearing reference no. SEBI/EAD-3/BM/UR/16776/2022 was issued to the Noticees under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 ('**Adjudication Rules'**) to show cause as to why an inquiry should not be initiated against them and penalty if any, not be imposed upon them for the aforesaid violations alleged to have been committed by them. The said SCN was delivered to the Noticees vide Digitally signed Email dated April 21, 2022.

5. The allegations levelled against the Noticees in the SCN are summarized below:

6. Quest is an entity that provides Portfolio Management Services (hereinafter referred to as "**PMS**"). During the course of investigation, it was observed that Mr. Ketan Bhupendra Parekh (hereinafter referred to as Mr. Ketan) being an employee and in his capacity as a dealer of Quest had knowledge about investments and impending orders of Quest. Mr. Ketan had the authority to place order for sale /buy of shares on behalf of Quest.

7. In view of above it was alleged that Mr. Ketan was privy to the information when Quest would place the order for buy / sell in a particular scrip as he was the dealer who was placing on behalf of Quest for the said trades. It was also

observed that the decision of Quest to acquire shares or sell its shares / information about its possible trades was confidential information as the said information was not in public domain. Therefore it was alleged that Mr. Ketan was in possession of information of the impending trades of Quest, which was not available in the public domain.

8. Mr. Bhupendra Parekh (hereinafter referred to as Mr. Bhupendra), father of Mr. Ketan was observed to be client of Noticee 1, sub broker with Magnum Equity. However it was observed that her husband Noticee 2 was acting on her behalf as a sub broker.

9. Vide email dated September 03, 2021, Mr. Ketan stated that Noticee 2 is the broker member who on the instructions of Mr. Bhupendra would do the trading/ place orders through the trading account with Magnum Equity Broking Limited.

10. The connection between front running entities i.e. Noticees, Quest dealer i.e. Mr. Ketan and his father i.e. Mr. Bhupendra is as below:

S. No.	Name/PAN	FR no. /Detail	Basis of Connection
1	Bhupendra Jasvantrai Parekh (AIQPP5118E)	FR1	i) Father of S.No 4 ii) Common Telephone number “28924135” with S.No 4 iii) Common Address “401, Mulji Appartment S.V. Road, Borivali (E), Mumbai, 19, 400066” with S.No 4. iv) Facebook friend with S.No 3
2	Noticee 1	FR2	i) Sub Broker at Magnum Equity Broking Limited ii) Wife of S. No 3. iii) Common email id PIYUSH.KARIA@YAHOO.COM with S.No 3 iv) Common Telephone number “28072085” with S.No 3 v) Common Telephone number “9930304840” with S.No 3 vi) Common Address “51 Varsha Apartment, 5th Floor, Mathurdas Road,kandivli West, 400067: with S.No 3
3	Noticee 2	FR3	i) Husband of S. No 2 ii) Common email id PIYUSH.KARIA@YAHOO.COM with S.No 2. iii) Common Telephone number “28072085” with S.No 2 iv) Common Telephone number “9930304840” with S.No 2. v) Common Address “51 Varsha Apartment, 5th Floor, Mathurdas Road,kandivli West, 400067: with S.No 2 vi) Facebook friend with S.No 1

			vii) Telephonic calls with S.No 4.
Persons allegedly facilitated/ aided/ abetted/ connived in front running			
4	Ketan Bhupendra Parekh (ALKPP0103A)	Senior Trader at Quest Investment Advisors Limited (June 2011 – Present)	i) Senior Trader at Quest Investment Advisors Limited (June 2011 – Present) ii) Son of S.No 1 iii) Common Telephone number “28924135” with S.No 1. iv) Common Address “401, Mulji Appartment S.v. Road, Borivali (e), Mumbai, 19, 400066” with S.No 4. v) Telephonic calls with S.No 3

11. **Details of dealer and order placement of Noticee 1, Noticee 2 and Mr. Bhupendra**:

It was observed from trade data that aforesaid entities were placing order through common broker – Magnum Equity Broking Limited. In this regard, Order placement related information was sought from Magnum Equity Broking Limited vide email dated August 18, 2021. Magnum Equity Broking Limited vide email dated August 30, 2021 replied that Noticee 2 was the common person placing the order and the mode of order placement was written.

12. **Call Data Record Analysis:**

S. No	Entity (A)	Entity (B)	A to B		B to A		Period
			No. of calls	Duration in Seconds	No. of calls	Duration in Seconds	
1.	Ketan B Parekh (9867981450)	Piyush Vasantbhai Karia (9930304840)	46	10455	4	147	01/03/2020 - 23/09/2020

From the table above, it was observed that Mr. Ketan – Dealer of Quest and Noticee 2 were known to each other and were in touch with each other during the investigation period. It is alleged Mr. Ketan shared the information with Noticee 2 who placed the orders in the trading account of Mr. Bhupendra at the instruction of Mr. Ketan. Therefore, it was alleged that there exists a nexus between Ketan and Noticee 2, a person who executed the trades of Mr.

Bhupendra while acting on behalf of his wife i.e. Noticee 1. Further it was alleged that Noticee 2 also placed orders in his trading account as well as in the trading account of Noticee 1.

13. **Summary of trading activity of Mr. Bhupendra, Noticee 1 and Noticee 2 during the investigation period**

Mr. Bhupendra

During the IP, front running trades were observed to be executed in the trading account of Mr. Bhupendra from Mar 01, 2019 to Jul 31, 2020.

a. Summary of total trading activity of Mr. Bhupendra during the investigation period

Details	Trading Activity of Mr. Bhupendra		
	No. of Instances	Gross Traded Value (in Rs. Lacs)	Profit (in Rs. Lacs)
No. of scrip days traded during investigation period	233	7503.85	24.41
Scrip days wherein day traded (intraday)	220	7436.51	24.40
Scrip Days Common with Quest	194	7214.74	24.00
Total(net) Profit on other days (i.e. not common with Quest)	26	221.77	0.39

➢ BUY Trades

During the Investigation period, the trades executed from the trading account of Mr. Bhupendra was analysed and it was observed that in 81 instances, when a bulk buy order was about to come from Quest, buy trades were executed from the trading account of Mr. Bhupendra, just prior to the buy order of Quest and sell order was placed just before or after Quest in order to square off his position.

It was observed that in all 81 instances, buy and sale quantity of all the trades of Mr. Bhupendra were same. He squared of all his positions allegedly to earn profits.

- SELL Trades

In 94 Instances, when a bulk sell order was about to come from Quest, sell trades were executed from the trading account of Mr. Bhupendra, just prior to the sell order of Quest and buy order was placed just before or after Quest in order to square off his position to earn profits.

It was observed that in all 94 instances, buy and sale quantity of all the trades of Mr. Bhupendra were same. He squared of all his positions allegedly to earn profits.

A few illustrations are given below to explain the pattern of the trades executed from the trading account of Mr. Bhupendra around the trading activity of Quest:

Illustration of Buy-Buy-Sell

Scrip of Mahindra CIE Automotive Ltd. (MAHINDCIE): On April 24, 2019, buy orders were placed from the trading account of Mr. Bhupendra for 8398 shares between 09:26:03 and 13:07:03 pm. The buy start price was Rs. 224.65 and end buy price was Rs. 227.05. Quest placed the buy order for 38,228 shares between 10:13:56 pm and 15:20:25 pm. The buy start price was Rs. 226 and end buy price was Rs. 230. As soon as Quest started buying, sell orders were put for 8398 shares between 10:30:03 am and 13:17:05 pm from the trading account of Mr. Bhupendra. The sell start price was Rs. 229.80 and sell end price was Rs. 229.80. The entire trade had a positive square off difference of Rs. 31,409.

Thus, from the above, it was alleged that the buy orders from the trading account of Mr. Bhupendra started before the impending buy order of the Quest. Further, as and when the buy order of Quest was placed in the system, because of the sudden surge in demand for a considerable quantity, there was an upward movement in the price of the scrip and correspondingly, sell trades were executed from the trading account of Mr. Bhupendra.

Illustration of Sell-Sell-Buy

Scrip of Federal Bank. (FEDERALBNK): On March 09, 2020, sell orders were placed from the trading account of Mr. Bhupendra for 1,70,220 shares between 9:57:59 am and 10:06:55 pm. The sell start price was Rs. 74.50 and sell end price was Rs. 75.85. The sell order for 22,08,300 shares was placed by Quest between 10:00:58 pm and 10:10:47 pm. The sell start price was Rs. 73.75 and sell end price was Rs. 75.20. As soon as Quest started selling, buy orders were put for 1,70,220 shares between 10:02:18 pm and 10:07:38 pm from the trading account of Mr. Bhupendra. The buy start price was Rs. 73.85 and buy end price was Rs. 74.90. The entire trade had a positive square off difference of Rs. 1,71,212.55.

Thus, from the above it was alleged that, the sell orders from the trading account of Mr. Bhupendra started before the impending sell order of the Quest. Further, as and when the sell order of Quest was placed in the system, there was a downward movement in the price of the scrip because of the sudden surge in the number of shares available for sale vis-à-vis demand for the same and correspondingly, buy trades were getting executed from the trading account of Mr. Bhupendra.

Vide email dated September 03, 2021 Mr Bhupendra replied that Noticee 2 had placed orders through the trading account with Magnum Equity Broking Limited in assistance of his son Mr. Ketan.

In view of the above, it was alleged that, trades were executed from the trading account of Mr. Bhupendra wherein the buy / sell trades were executed depending on the impending buy / sell orders of the Quest.

Further, as discussed, Noticee 2 was placing the orders in Mr. Bhupendra's trading account on the instruction of Mr. Ketan who is dealer in Quest. Therefore it was alleged that Mr. Ketan was front running the trades of Quest through trading account of his father Mr. Bhupendra based on information in his possession.

Noticee 2:

During the investigation period, front running trades were observed to be executed in the trading account of Noticee 2 from March 01, 2019 to July 31, 2020.

a. <u>Summary of total trading activity of Noticee 2 during the investigation period</u>

Details	Trading Activity of Noticee 2		
	No. of Instances	Gross Traded Value (in Rs. Lacs)	Profit (in Rs. Lacs)
No of scrip days traded during investigation period	330	4509.64	4.71
Scrip days wherein day traded (intraday)	215	3824.97	5.02
Scrip Days Common with Quest	72	1848.22	4.61
Total(net) Profit on other days (i.e. not common with Quest)	143	1976.75	0.41

➢ BUY Trades

During the Investigation period, the trades executed from the trading account of Noticee 2 were analysed and it was observed that in 32 instances when a buy order was about to come from the Quest, buy trades were executed from the trading account of Noticee 2, just prior to the buy order of Quest and sell order was placed just before or after the Quest entity order to square off his position allegedlyto earn profits.

- SELL Trades

Further it was alleged that, in 31 Instances, when a bulk sell order was about to come from Quest, sell trades were executed from the trading account of Noticee 2, just prior to the sell order of Quest. Also, buy orders were placed just before or after the sell orders of Quest in order to square off his position to earn profits. It was observed that buy and sale quantity of all the trades of Noticee 2 were same. He squared off all his positions allegedly to earn profits.

Illustration is given below to explain the pattern of the trades executed from the trading account of Noticee 2 around the trading activity of Quest:

Illustration of Buy-Buy-Sell

Scrip of CRISIL. (CRISIL): On February 27, 2020, buy order was placed from the trading account of Noticee 2 for 1249 shares at 09:19:51 am. The buy price was Rs. 1566.60. The buy order for 6650 shares was placed by the Quest between 10:03:52 pm and 10:35:58 pm. The buy start price was Rs. 1584.65 and end buy price was Rs. 1600. As soon as Quest started buying, sell order was put for 1249 shares at 10:07:06 from the trading account of Noticee 2. The sell price was Rs.1598. The entire trade had a positive square off difference of Rs. 23,454.45.

Thus, from the above, it was alleged that the buy order from the trading account of Noticee 2 was placed before the impending buy order of Quest. Further, as and when the buy order of Quest was placed in the system, because of the sudden surge in demand for a considerable quantity, there was an upward movement in the price of the scrip and correspondingly, sell trade was executed from the trading account of Noticee 2.

In view of the above, it was alleged that trades were executed from the trading account of Noticee 2, wherein the buy / sell trades were executed depending on the impending buy / sell orders of the Quest.

Illustration of Sell-Sell-Buy

Scrip of Sterling and Wilson Solar Ltd. (SWSOLAR): On February 19, 2020, sell orders were placed from the trading account of Noticee 2 for 9,663 shares between 15:04:50 am and 15:11:04 pm. The sell start price was Rs. 237.00 and sell end price was Rs. 241.35. The sell order for 58,956 shares was placed by Quest. between 15:07:03 pm and 15:29:54 pm. The sell start price was Rs. 235.00 and sell end price was Rs 238.65. As soon as Quest. started selling, buy orders were put for 9663 shares between 15:11:22 pm and 15:12:04 pm from the trading account of Noticee 2. The buy start price was Rs. 235 and buy end price was Rs. 235. The entire trade had a positive square off difference of Rs. 38,349.

Thus from the above it was alleged that sell orders from the trading account of Noticee 2 started before the impending sell order of the Quest. Further, as and when the sell order of Quest were placed in the system, there was a downward movement in the price of the scrip because of the sudden surge in the number of shares available for sale vis-à-vis demand for the same and correspondingly, buy trades were getting executed from the trading account of Noticee 2.

In view of the above it was alleged, trades were executed from the trading account of Noticee 2, wherein the buy / sell trades were executed depending on the impending buy / sell orders of the Quest.

During investigation vide email dated September 03, 2021, Noticee 2 stated that he is a broker member of Mr. Bhupendra and he and his wife both knew him. With respect to Mr. Ketan he stated that he knew him as a son of Mr. Bhupendra during statement recording on September 14, 2021. Further he stated that he and Mr. Ketan is a family friend. Based on instructions received from Mr. Ketan through Whatsapp, he placed order through the account of Mr. Bhupendra. Further, he used to follow the same instructions for placing orders through his own account and through his wife Noticee 1's account.

Hence, it was alleged, that Noticee 2 was front running the trades of Quest through his own account and from the account of Noticee 1 and Mr. Bhupendra's trading account based on information in his possession.

From the aforesaid trades, it was alleged that Noticee 2 had made square-off wrongful gains of Rs. 4,42,188.70 (Rs. 1,80,571.95 through buy trades + Rs. 2,61,616.75 through sell trades) by front running the trades of Quest.

Noticee 1:

During the IP, front running trades were observed to be executed in the trading account of Noticee 1 from March 01, 2019 to August 31, 2020.

<u>Summary of total trading activity of Noticee 1 during the investigation period</u>

Details	Trading Activity of Noticee 1		
	No. of Instances	Gross Traded Value (in Rs. Lacs)	Profit (in Rs. Lacs)
No of scrip days traded during investigation period	296	4221.81	7.49
Scrip days wherein day traded (intraday)	213	3930.69	7.58
Scrip Days Common with Quest	101	2844.89	6.43
Total(net) Profit on other days (i.e. not common with Quest)	112	1085.79	1.15

- BUY Trades

During the Investigation period, the trades executed from the trading account of Noticee 1 were analysed and it was observed that in 51 instances, when a bulk buy order was about to come from Quest, buy trades were executed from the trading account of Noticee 1, just prior to the buy order of Quest and sell order was placed just before or after the buy order of the Quest in order to square off her position.

It was observed that buy and sale quantity of all the trades of Noticee 1 were same. She squared of all her position allegedly to earn profits.

➢ SELL Trades

In 36 Instances, when a bulk sell order was about to come from the Quest, sell orders were executed from the trading account of Noticee 1, just prior to the sell order of Quest and buy order were placed just before or after the order of Quest in order to square off his position to earn profits.

It was observed that buy and sale quantity of all the trades of Noticee 1 were same. She squared off all her positions to earn profits.

An illustration is given below to explain the pattern of the trades executed from the trading account of Noticee 1 around the trading activity of the Quest.

Illustration of Buy-Buy-Sell

Scrip of Ramco Cements. (RAMCOCEM): On May 20, 2020, buy order was placed from the trading account of Noticee 1 for 5,000 shares at 10:35:20 am to 10:37:11. The buy start price was Rs. 553 and buy end price was 555. The buy order for 44,839 shares was placed by the Quest between 10:37:39 am and 10:38:58 am. The buy start price was Rs. 556 and end buy price was Rs. 560. As soon as Quest started buying, sell order was put for 5000 shares at 10:37:44 from the trading account of Noticee 1. The sell price was Rs.559.70. The entire trade had a positive square off difference of Rs. 25,931.55.

Thus, from the above, it was alleged that the buy order from the trading account of Noticee 1 was placed before the impending buy order of Quest. Further, as and when the buy order of Quest was placed in the system, because of the sudden surge in demand for a considerable quantity, there was an upward movement in the price of the scrip and correspondingly, sell trade was executed from the trading account of Noticee 1.

In view of the above, trades executed from the trading account of Noticee 1 wherein the buy / sell trades are executed depending on the impending buy / sell orders of the Quest entities. Thus, most of the trades from the Noticee 1's trading account had a common pattern.

Illustration of (Sell-Sell-Buy)

<u>Scrip of Federal Bank (FEDERALBNK)</u>: On March 09, 2020, Sell order was placed from the trading account of Noticee 1 for 142873 shares during 09:58:37 and 10:20:06 with a start price of Rs. 74.50 and end price of Rs. 75.65. Quest sold 22,08,300 shares in equity segment during 10:00:58 and 10:10:47 with a start price of Rs. 73.75 and end price of Rs75.20. Noticee 1 subsequently bought 1,42,873 shares in Equity segment during 09:58:09 and 10:27:56 with a start price of Rs. 73.85 and end price of Rs. 75.60 and earned a square off difference of Rs. 45,106.35.

Thus, from the above it is alleged that, the sell orders from the trading account of Noticee 1 started before the impending sell order of the Quest. Further, as and when the sell order of Quest was placed in the system, there was a downward movement in the price of the scrip because of the sudden surge in the number of shares available for sale vis-à-vis demand for the same and correspondingly, buy trades were getting executed from the trading account of Noticee 1.

In view of the above it is alleged, trades were executed from the trading account of Noticee 1 wherein the buy / sell trades were executed depending on the impending buy / sell orders of the Quest.

Further, as stated above, Noticee 2 was placing the orders from Noticee 1's trading account. Hence, it was alleged that Noticee 2 was front running the trades of Quest through Noticee 1's trading account based on information in his possession.

From the aforesaid trades, it was alleged that Noticee 1 had squared off wrongful gains of Rs.6,34,122 (Rs. 3,62,130.65 through buy trades + Rs. 2,71,992.30 through sell trades) by front running the trades of Quest.

14. Investigation observed that the scheme of front running was allegedly orchestrated by Mr. Ketan to 'front run' the trades of the Quest. Mr. Bhupendra

was a client of Noticee 1 who is a sub broker with Magnum Equity. However, her husband, Noticee 2 was acting on her behalf as a sub broker. Mr. Ketan shared the information with the connected entity Noticee 2 who placed the orders in the trading account of Mr. Bhupendra at the instructions of Mr. Ketan. Further, Noticee 2 also placed orders in his trading account as well as in the trading account of his wife Noticee 1. The orders were placed in the same scrips in which trading was being carried out by Quest. Noticee 1 and Noticee 2 has made wrongful gains of Rs. 6,34,122 and Rs. 4,42,188.70 respectively by front running the trades of Quest, which were executed by Noticee 2 (who was instrumental and responsible for placing orders from Noticee 1 trading account based on the information received from Mr. Ketan.

15. In the view of the foregoing, it was alleged in the SCN that Noticee 1 and Noticee 2 have violated Section 12A(a), 12A(b), and 12A(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(q) of SEBI PFUTP Regulations, 2003.

16. Vide hearing notice dated June 02, 2022, in the interest of natural justice and in order to conduct an inquiry in terms of Rule 4 (3) of the Adjudication Rules, the Noticees were granted an opportunity of Personal Hearing in the matter on June 16, 2022 through the online Cisco webex platform. Further vide the hearing notice, the Noticees were reminded that they have not submitted the reply to the SCN. The said hearing notice was delivered through digitally signed email on June 06, 2022.

17. The Noticees appeared for the aforesaid hearing on scheduled day and time, however Noticees requested for another opportunity of hearing. Noticees were further advised to file their reply to the SCN.

18. Vide email dated June 20, 2022, Noticee 2 filed reply on his and his wife's behalf. The reply so submitted by Noticees is summarized below:

He is a small sub broker who have around 40 clients and do sub-broking business. He had known Ketan B. Parekh since the past 8-9 years and he knows Bhupendra Parekh as ketans' father. He used to place orders in Bhupendra Parekhs' account on instructions given by Ketan Parekh and he never knew where Mr. Ketan was working and he never knew Quest also. Further he submitted that he was unaware where Quest is located and he never had any connections with Quest .

He also had done trades in his and his wifes' (Jamin P Karias') account seeing profit making trades of Bhupendra Parekhs' account .
Further Noticee 2 stated that he recorded the same in his statement given to the investigating team and he had never been involved in any fraudulent practices whatsoever in past. Also the trades or pattern were never meant to hurt investor community. He requested to consider the mistake unknowingly done by him by following the trades of Bhupendra Parekh while passing the judgement against them.

19. Vide email dated June 29, 2022, Noticees were granted another opportunity of hearing on July 14, 2022 through video conferencing mode. The said hearing was completed on scheduled day and time. The minutes of hearing in this regard are on record.

CONSIDERATION OF ISSUES AND FINDINGS

20. I have carefully perused the charges levelled against Noticee 1 & 2 in the SCN, their reply and the materials documents available on record. The issues that arise for consideration in the instant matter are:

Issue no. 1: Whether the Noticee 1 & 2 were front running the trades of Quest through their account and account to Mr. Bhupendra and thus have violated Section 12A(a), 12A(b), and 12A(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(q) of SEBI PFUTP Regulations, 2003.

Issue no. 2: Does the violations, if any, on the part of the Noticee 1 & 2 attract monetary penalty under section 15 HA of SEBI Act?

Issue no. 3: If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in section 15J of SEBI Act?

21. Before moving forward, the relevant provisions of law allegedly violated by the Noticees and as mentioned in the SCN are reproduced below:--

SEBI Act, 1992

12A. *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;

PFFUTP Regulations

2. (1) *In these regulations, unless the context otherwise requires,—*

(c) *"fraud" includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—*

(1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;

(2) a suggestion as to a fact which is not true by one who does not believe it to be true;

(3) an active concealment of a fact by a person having knowledge or belief of the fact;

(4) a promise made without any intention of performing it;

(5) a representation made in a reckless and careless manner whether it be true or false;

(6) any such act or omission as any other law specifically declares to be fraudulent,

(7) deceptive behaviour by a person depriving another of informed consent or full participation,

(8) a false statement made without reasonable ground for believing it to be true.

(9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.

And "fraudulent" shall be construed accordingly;

Nothing contained in this clause shall apply to any general comments made in good faith in regard to—

(a) the economic policy of the government

(b) the economic situation of the country

(c) trends in the securities market or

(d) any other matter of a like nature

whether such comments are made in public or in private;

3. *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 Actor the rules and the regulations made there under.*

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

(2) *Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves:—*

(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;*

Issue no. 1: Whether the Noticee 1 & Noticee 2 were front running the trades of Quest through their account and account to Mr. Bhupendra and thus have violated Section 12A(a), 12A(b), and 12A(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(q) of SEBI PFUTP Regulations, 2003.

22. I note that the SCN alleges that Noticee 1 & Noticee 2 indulged in front running the trades of Quest during the IP. The SCN alleges that Mr. Ketan was trader for the trades of Quest and was in possession of confidential information of the trades of Quest which was not in public domain. SCN alleges that based on this information front running trades were carried out in the accounts of Mr. Bhupendra, Noticee 1 & Noticee 2, the details of which are discussed hereinafter. Front running means usage of non-public information directly or indirectly, buy or sell of securities or enter into options or futures contracts, in advance of 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.

23. I note that Mr. Ketan was an employee in Quest which provided PMS. I further note that Mr. Ketan being an employee and in his capacity as dealer of Quest had knowledge about investments and impending orders of Quest and further Mr. Ketan had authority to place orders for buy/ sell of shares on behalf of Quest. Mr. Ketan vide his statement recording under section 11C of SEBI Act, dated September 14, 2021 had submitted that he was working with Quest for the last 10 years as a dealer and he used to place orders on behalf of Quest. I find that the buy and sell in the securities by Quest during the Investigation Period is confidential information as the said information was not available in the public domain. Therefore I find that during the Investigation Period that Mr. Ketan was directly in possession of information regarding substantial impending buy/sell transactions in securities by Quest and was thus privy to the information when Quest would place the order for buy / sell in a particular scrip.

24. Mr Ketan also submitted that Noticee 2 was his friend and was his sub-broker and Noticee 1 was Noticee 2s' wife. I also note that Noticee 2 has vide his statement recording under section 11C of SEBI Act, dated September 14, 2021 submitted that he has a sub broking account in the name of his wife with Magnum equity for the past 14 years.

25. Mr. Bhupendra was father of Mr. Ketan and was a client of Noticee 1. From the statement given by Mr. Ketan I note that he used to give instruction to Noticee 2 for placing orders in Mr. Bhupendras' account. Further Mr. Bhupendra vide his statement recording dated September 14, 2021 under section 11C of the SEBI Act inter-alia stated "*Yes, I accept that front running was done through my account during March 01,2019 to August 31,2020 by my son, Mr. Ketan B Parekh*." Thus it is observed that he admitted to the activity of front running, he further stated that Mr. Ketan used to give instructions to Noticee 2 for trading though his account for front running.

26. Connection between alleged front running entities and Quest dealer i.e. Mr. Ketan is observed as follows:

S. No.	Name/PAN	FR no. /Detail	Basis of Connection
1	Bhupendra Jasvantrai Parekh (AIQPP5118E)	FR1	v) Father of S.No 4 vi) Common Telephone number "28924135" with S.No 4 vii) Common Address "401, Mulji Appartment S.V. Road, Borivali (E), Mumbai, 19, 400066" with S.No 4. viii) Facebook friend with S.No 3
2	Noticee 1	FR2	vii) Sub Broker at Magnum Equity Broking Limited viii) Wife of S. No 3. ix) Common email id PIYUSH.KARIA@YAHOO.COM with S.No 3 x) Common Telephone number "28072085" with S.No 3 xi) Common Telephone number "9930304840" with S.No 3 xii) Common Address "51 Varsha Apartment, 5th Floor, Mathurdas Road,kandivli West, 400067: with S.No 3
3	Noticee 2	FR3	viii) Husband of S. No 2 ix) Common email id PIYUSH.KARIA@YAHOO.COM with S.No 2. x) Common Telephone number "28072085" with S.No 2 xi) Common Telephone number "9930304840" with S.No 2. xii) Common Address "51 Varsha Apartment, 5th Floor, Mathurdas Road,kandivli West, 400067: with S.No 2 xiii) Facebook friend with S.No 1 xiv) Telephonic calls with S.No 4.
4	Ketan Bhupendra Parekh (ALKPP0103A)	Senior Trader at Quest Investment Advisors Limited (June 2011 – Present)	vi) Senior Trader at Quest Investment Advisors Limited (June 2011 – Present) vii) Son of S.No 1 viii) Common Telephone number "28924135" with S.No 1. ix) Common Address "401, Mulji Appartment S.v. Road, Borivali (e), Mumbai, 19, 400066" with S.No 4. x) Telephonic calls with S.No 3

From above it is established that there is connection between the Noticees (1 & 2) Mr. Bhupendra and Mr. Ketan.

27. During the IP, alleged front running trades were observed to be executed in the trading account of Mr. Bhupendra, Noticee 1 and Noticee 2 from March 01, 2019 to July 31, 2020. The trading activity of Mr. Bhupendra, Noticee 1 and Noticee 2 are hereinafter given below:

27.1 Summary of total trading activity of **Mr. Bhupendra** during the investigation period:

Details	Trading Activity of Mr. Bhupendra		
	No. of Instances	Gross Traded Value (in Rs. Lacs)	Profit (in Rs. Lacs)
No. of scrip days traded during investigation period	233	7503.85	24.41
Scrip days wherein day traded (intraday)	220	7436.51	24.40
Scrip Days Common with Quest	194	7214.74	24.00
Total(net) Profit on other days (i.e. not common with Quest)	26	221.77	0.39

27.1.1 Analysis was made of the trades executed from Mr. Bhupendra's account and it was observed that in 81 instances buy orders were placed, prior to buy order of Quest of substantial/ bulk quantity and ahead of or during or subsequent to buy order of Quest. The details of the 81 trades are as follows:

Sr. No.	Trade date	Symbol	Quest	Big order buy qty	FR buy qty	FR sell qty	Matching %	Squared off diff (Rs.)
1.	24/04/2019	MAHINDCIE	Buy	38,228	8,398	8,398	100	31,409.30
2.	25/04/2019	MAHINDCIE	Buy	28,581	8,843	8,843	100	26,602.15
3.	26/04/2019	MAHINDCIE	Buy	29,336	7,146	7,146	100	16,240.15
4.	30/04/2019	MAHINDCIE	Buy	1,05,722	6,652	6,652	98.23	39,293.10
5.	02/05/2019	MAHINDCIE	Buy	61,570	3,822	3,822	100	7,698.30
6.	03/05/2019	MAHINDCIE	Buy	51,360	3,500	3,500	98.69	-427.1
7.	06/05/2019	MAHINDCIE	Buy	40,030	4,700	4,700	99.81	8,241.00
8.	09/05/2019	MAHINDCIE	Buy	35,000	2,660	2,660	100	6,203.25
9.	10/05/2019	MAHINDCIE	Buy	37,638	6,596	6,596	100	13,521.60
10.	13/05/2019	MAHINDCIE	Buy	44,578	10,000	10,000	95.7	11,631.70

Sr. No.	Trade date	Symbol	Quest	Big order buy qty	FR buy qty	FR sell qty	Matching %	Squared off diff (Rs.)
11.	14/05/2019	MAHINDCIE	Buy	37,007	5,898	5,898	100	15,302.90
12.	21/05/2019	BHARATFORG	Buy	2,36,875	3,000	3,000	89.83	5,872.25
13.	22/05/2019	BHARATFORG	Buy	47,429	1,241	1,241	9.35	2,388.10
14.	23/05/2019	BHARATFORG	Buy	95,285	7,500	7,500	100	-16,609.55
15.	27/05/2019	CIPLA	Buy	3,07,836	9,579	9,579	21.61	27,044.85
16.	17/06/2019	DIVISLAB	Buy	40,860	500	500	97.4	4,260.20
17.	18/06/2019	DIVISLAB	Buy	66,655	3,000	3,000	62.43	16,918.05
18.	19/06/2019	DIVISLAB	Buy	55,775	3,000	3,000	100	26,241.90
19.	24/06/2019	MAHINDCIE	Buy	5,479	551	551	87.3	1,366.90
20.	25/06/2019	DIVISLAB	Buy	31,277	3,000	3,000	57.37	14,646.40
21.	23/09/2019	MAHINDCIE	Buy	39,841	4,792	4,792	100	19,423.40
22.	23/09/2019	MARICO	Buy	4,34,330	7,459	7,459	78.56	22,086.60
23.	24/09/2019	MARICO	Buy	1,27,014	10,000	10,000	80	34,999.40
24.	16/10/2019	TATAELXSI	Buy	68,070	3,436	3,436	100	18,726.20
25.	17/10/2019	INFY	Buy	1,53,945	5,000	5,000	100	951.85
26.	22/10/2019	TATAELXSI	Buy	1,40,950	1,055	1,055	100	5,802.55
27.	23/10/2019	TATAELXSI	Buy	1,43,140	5,000	5,000	90.3	24,601.65
28.	29/10/2019	BANDHANBNK	Buy	5,42,710	12,054	12,054	95.4	42,268.15
29.	30/10/2019	BANDHANBNK	Buy	3,56,620	10,000	10,000	100	78,851.05
30.	01/11/2019	FEDERALBNK	Buy	19,32,580	50,000	50,000	45	12,500.00
31.	25/11/2019	SWSOLAR	Buy	6,93,810	10,250	10,250	82.92	51,990.75
32.	09/01/2020	SWSOLAR	Buy	1,46,130	2,035	2,035	4.37	5,461.85
33.	14/01/2020	SWSOLAR	Buy	36,419	1,387	1,387	97.12	2,284.60
34.	28/01/2020	JBCHEPHARM	Buy	14,470	5,000	5,000	99.36	29,500.00
35.	31/01/2020	JBCHEPHARM	Buy	5,466	1,010	1,010	100	3,989.50
36.	01/02/2020	JBCHEPHARM	Buy	11,260	312	312	100	802.65
37.	03/02/2020	JBCHEPHARM	Buy	14,814	798	798	100	3,878.80
38.	12/02/2020	ACC	Buy	73,625	3,000	3,000	-	27,898.95
39.	12/02/2020	PRINCEPIPE	Buy	3,68,945	5,871	5,871	-	15,557.25
40.	14/02/2020	PEL	Buy	61,180	5,000	5,000	100	-1,070.05
41.	18/02/2020	BAJAJ-AUTO	Buy	27,528	2,000	2,000	11.35	31,708.00
42.	18/02/2020	CRISIL	Buy	19,226	115	115	85.22	1,510.70
43.	20/02/2020	BAJAJ-AUTO	Buy	45,840	2,397	2,397	61.2	19,299.80
44.	24/02/2020	BIOCON	Buy	15,81,960	15,000	15,000	32.8	362.5
45.	26/02/2020	CRISIL	Buy	6,765	116	116	100	3,103.25
46.	26/02/2020	PRINCEPIPE	Buy	1,28,751	9,008	9,008	100	9,044.80

Sr. No.	Trade date	Symbol	Quest	Big order buy qty	FR buy qty	FR sell qty	Matching %	Squared off diff (Rs.)
47.	27/02/2020	CRISIL	Buy	6,650	1,545	1,545	100	24,336.65
48.	27/02/2020	PRINCEPIPE	Buy	55,000	5,434	5,434	100	9,655.25
49.	28/02/2020	BAJAJ-AUTO	Buy	1,24,930	5,500	5,500	90.91	1,07,294.90
50.	31/03/2020	RAMCOCEM	Buy	1,05,195	10,000	10,000	100	-19,423.45
51.	08/04/2020	NOCIL	Buy	1,72,222	10,000	10,000	70	9,952.70
52.	09/04/2020	NOCIL	Buy	2,20,000	12,572	12,572	34.93	19,868.30
53.	15/04/2020	MOIL	Buy	1,24,378	18,093	18,093	97.08	7,266.80
54.	04/05/2020	KANSAINER	Buy	76,557	1,674	1,674	96.12	3,477.00
55.	04/05/2020	VTL	Buy	2,110	500	500	95.8	6,409.65
56.	05/05/2020	KANSAINER	Buy	97,281	12,803	12,803	87.78	16,847.40
57.	05/05/2020	RAMCOCEM	Buy	21,250	1,000	1,000	100	3,031.85
58.	07/05/2020	KANSAINER	Buy	51,790	3,222	3,222	99.75	10,972.40
59.	07/05/2020	MOIL	Buy	79,503	12,112	12,112	92.16	18,922.35
60.	08/05/2020	SBILIFE	Buy	17,495	1,000	1,000	-	2,556.15
61.	11/05/2020	COROMANDEL	Buy	50,600	2,000	2,000	100	13,764.60
62.	11/05/2020	MHRIL	Buy	35,370	735	735	-	2,564.20
63.	13/05/2020	RAMCOCEM	Buy	61,315	3,099	3,099	100	19,153.00
64.	15/05/2020	MOIL	Buy	1,779	2,230	2,230	-	2,870.40
65.	15/05/2020	RAMCOCEM	Buy	70,655	2,000	2,000	100	16,696.90
66.	20/05/2020	COROMANDEL	Buy	24,997	2,000	2,000	100	9,419.20
67.	20/05/2020	METROPOLIS	Buy	5,668	1,000	1,000	-	1,137.70
68.	20/05/2020	RAMCOCEM	Buy	44,839	3,980	3,980	100	28,553.25
69.	29/05/2020	BAJAJFINSV	Buy	8,001	500	500	-	-830.75
70.	03/06/2020	HDFCLIFE	Buy	1,24,115	4,912	4,912	-	4,792.00
71.	12/06/2020	ESCORTS	Buy	31,810	1,000	1,000	3.8	5,740.30
72.	15/06/2020	M&MFIN	Buy	5,69,625	11,000	11,000	-	-24,422.45
73.	19/06/2020	BIRLACORPN	Buy	17,839	839	839	-	4,950.10
74.	19/06/2020	LAURUSLABS	Buy	20,825	500	500	-	922.1
75.	26/06/2020	SBIN	Buy	2,97,960	10,000	10,000	-	-4,469.50
76.	02/07/2020	BIRLACORPN	Buy	47,326	2,288	2,288	14.6	10,112.30
77.	06/07/2020	HCLTECH	Buy	1,15,365	5,000	5,000	9.84	16,314.90
78.	20/07/2020	TV18BRDCST	Buy	26,79,010	20,000	20,000	-	8,250.00
79.	27/07/2020	TATACOMM	Buy	16,950	7,000	7,000	13.37	3,036.75
80.	29/07/2020	SBIN	Buy	3,12,720	5,000	5,000	-	8,250.00
81.	31/07/2020	SEQUENT	Buy	4,18,385	14,976	14,976	11.55	14,569.90
							Total	**10,85,922.50**

* Front Running is being abbreviated as "**FR**"

I observe that in all 81 instances, buy and sale quantity of all the trades of Mr. Bhupendra were same and he squared off all his positions, to earn profit.

- SELL Trades

In 94 Instances, when a bulk sell order was about to come from Quest, sell trades were executed from the trading account of Mr. Bhupendra, just prior to the sell order of Quest and buy order was placed just before or after Quest in order to square off her position to earn profits. Details of 94 instances are given below:

Sr. No.	Trade date	Symbol	Quest	Big order sell qty	FR buy qty	FR sell qty	Matching %	squared off diff (Rs.)
1	22/03/2019	TV18BRDCST	Sell	7,70,354	50,000	50,000	83.41	15,368.45
2	29/03/2019	TV18BRDCST	Sell	14,84,175	50,000	50,000	89.71	21,892.20
3	04/04/2019	VARROC	Sell	68,878	3,160	3,160	75.63	13,360.05
4	16/04/2019	SIMPLEXINF	Sell	62,958	15,607	15,607	99.56	72,210.80
5	30/04/2019	COROMANDEL	Sell	48,243	975	975	100	5,045.80
6	16/05/2019	KEC	Sell	11,905	1,000	1,000	100	2,168.70
7	20/05/2019	COROMANDEL	Sell	21,871	2,046	2,046	100	5,820.30
8	20/05/2019	KEC	Sell	1,34,408	4,886	4,886	100	8,799.35
9	21/05/2019	KEC	Sell	26,648	6,205	6,205	68.48	17,942.95
10	25/06/2019	SPENCERS	Sell	1,22,327	1,326	1,326	-	1,094.50
11	08/07/2019	MAHINDCIE	Sell	9,411	1,000	1,000	100	1,578.15
12	16/07/2019	GUJGASLTD	Sell	3,70,269	15,659	15,659	97.77	18,703.75
13	17/07/2019	GUJGASLTD	Sell	1,86,684	5,000	5,000	100	5,000.00
14	23/07/2019	GUJGASLTD	Sell	1,05,862	5,000	5,000	100	4,500.00
15	26/07/2019	GUJGASLTD	Sell	19,627	2,964	2,964	100	5,439.30
16	26/07/2019	KEC	Sell	1,11,713	2,486	2,486	77.92	5,902.50
17	29/07/2019	GUJGASLTD	Sell	1,73,838	10,000	10,000	99.19	15,500.00
18	29/07/2019	KEC	Sell	60,427	2,270	2,270	100	6,781.90
19	08/08/2019	PRAJIND	Sell	83,974	20,452	20,452	66.11	13,882.20
20	27/08/2019	BHARATFORG	Sell	96,790	5,000	5,000	66	23,418.25
21	27/08/2019	CONCOR	Sell	1,86,224	5,250	5,250	1.9	19,690.60
22	28/08/2019	KEC	Sell	18,933	3,355	3,355	99.76	6,057.10
23	30/08/2019	JMCPROJECT	Sell	5,25,911	10,000	10,000	100	14,554.50
24	03/09/2019	KEC	Sell	19,635	2,788	2,788	2.37	5,297.20
25	05/09/2019	KEC	Sell	3,45,662	17,738	17,738	99.36	33,234.25
26	06/09/2019	JMCPROJECT	Sell	86,886	3,676	3,676	97.74	4,746.65

Sr. No.	Trade date	Symbol	Quest	Big order sell qty	FR buy qty	FR sell qty	Matching %	squared off diff (Rs.)
27	06/09/2019	KEC	Sell	2,27,878	10,000	10,000	100	20,000.00
28	09/09/2019	KEC	Sell	2,09,126	15,661	15,661	99.69	27,873.05
29	13/09/2019	MAHINDCIE	Sell	20,480	1,071	1,071	100	2,013.90
30	16/09/2019	COROMANDEL	Sell	16,002	5,000	5,000	100	12,542.50
31	17/09/2019	COROMANDEL	Sell	21,731	1,141	1,141	100	5,135.35
32	25/09/2019	KEC	Sell	1,09,176	7,248	7,248	100	20,441.75
33	26/09/2019	KEC	Sell	13,961	3,407	3,407	-	6,808.95
34	27/09/2019	KEC	Sell	22,276	3,191	3,191	100	5,129.80
35	14/10/2019	M&M	Sell	1,79,077	2,500	2,500	-	1,230.70
36	16/10/2019	MAHINDCIE	Sell	40,880	5,056	5,056	100	13,071.15
37	17/10/2019	MAHINDCIE	Sell	76,141	3,207	3,207	98.04	7,236.55
38	18/10/2019	KEC	Sell	90,032	6,489	6,489	99.98	12,596.60
39	23/10/2019	JMCPROJECT	Sell	66,409	3,253	3,253	100	2,813.70
40	19/12/2019	MAHLOG	Sell	12,295	236	236	100	734.2
41	02/01/2020	JMCPROJECT	Sell	37,445	3,015	3,015	100	2,713.50
42	03/01/2020	JMCPROJECT	Sell	16,585	1,562	1,562	71.38	2,976.75
43	10/01/2020	JMCPROJECT	Sell	1,06,953	3,385	3,385	100	4,190.05
44	14/01/2020	JMCPROJECT	Sell	20,421	6,514	6,514	79.64	9,159.60
45	15/01/2020	JMCPROJECT	Sell	10,320	772	772	100	707.4
46	17/01/2020	MAHINDCIE	Sell	41,025	3,000	3,000	100	6,027.55
47	23/01/2020	JMCPROJECT	Sell	65,496	4,368	4,368	-	4,368.00
48	24/01/2020	JMCPROJECT	Sell	14,983	4,605	4,605	-	7,060.85
49	30/01/2020	LTTS	Sell	15,466	379	379	98.68	4,065.35
50	01/02/2020	BANDHANBNK	Sell	1,25,000	1,694	1,694	60.45	5,245.70
51	04/02/2020	LTTS	Sell	51,049	2,000	2,000	100	27,117.95
52	05/02/2020	LTTS	Sell	38,582	1,650	1,650	100	11,406.60
53	07/02/2020	MAHINDCIE	Sell	28,307	2,000	2,000	45.2	1,525.60
54	10/02/2020	LTTS	Sell	3,380	180	180	100	1,593.10
55	10/02/2020	MAHINDCIE	Sell	11,104	5,000	5,000	87.08	-8,933.25
56	12/02/2020	JMCPROJECT	Sell	11,259	1,297	1,297	-	1,352.95
57	14/02/2020	SWSOLAR	Sell	27,315	3,021	3,021	88.94	15,052.50
58	18/02/2020	MAHINDCIE	Sell	30,485	3,174	3,174	100	3,485.10
59	19/02/2020	MAHINDCIE	Sell	34,897	2,012	2,012	99.11	5,030.00
60	19/02/2020	SWSOLAR	Sell	58,956	11,488	11,488	100	66,685.65
61	20/02/2020	MAHINDCIE	Sell	7,30,722	160	160	-	192
62	24/02/2020	CIPLA	Sell	4,41,562	10,000	10,000	27.49	33,206.60
63	25/02/2020	TECHM	Sell	5,24,625	4,000	4,000	2.5	44,874.95
64	28/02/2020	ITC	Sell	30,45,049	25,000	25,000	29.49	5,770.65

Sr. No.	Trade date	Symbol	Quest	Big order sell qty	FR buy qty	FR sell qty	Matching %	squared off diff (Rs.)
65	28/02/2020	MAHLOG	Sell	21,641	4,426	4,426	99.01	8,896.30
66	09/03/2020	FEDERALBNK	Sell	22,08,300	1,70,220	1,70,220	46.39	1,71,212.55
67	13/03/2020	MAHINDCIE	Sell	1,21,597	10,000	10,000	93.89	29,045.00
68	09/04/2020	JBCHEPHARM	Sell	1,51,503	5,000	5,000	92.08	20,414.60
69	21/04/2020	BAJAJ-AUTO	Sell	58,255	4,000	4,000	28.33	22,531.75
70	21/04/2020	DLF	Sell	3,79,515	5,000	5,000	42.98	2,443.15
71	30/04/2020	BHARTIARTL	Sell	1,95,567	2,000	2,000	-	4,794.75
72	30/04/2020	TRENT	Sell	49,468	2,000	2,000	100	16,544.00
73	05/05/2020	PRINCEPIPE	Sell	1,20,280	20,000	20,000	100	17,000.00
74	07/05/2020	SUNPHARMA	Sell	72,475	5,000	5,000	-	-7,228.20
75	11/05/2020	NH	Sell	1,14,123	229	229	11.35	264
76	13/05/2020	PRINCEPIPE	Sell	71,815	3,691	3,691	85.56	1,853.00
77	14/05/2020	BPCL	Sell	2,46,299	25,500	25,500	-	28,563.95
78	14/05/2020	NH	Sell	18,161	792	792	96.34	2,932.10
79	15/05/2020	IPCALAB	Sell	18,667	2,000	2,000	100	32,156.30
80	18/05/2020	BAJAJ-AUTO	Sell	1,11,561	6,500	6,500	85.63	48,760.75
81	21/05/2020	TATAELXSI	Sell	13,490	1,000	1,000	96.8	5,301.45
82	26/05/2020	METROPOLIS	Sell	12,238	483	483	100	5,257.10
83	29/05/2020	RAMCOCEM	Sell	9,950	500	500	68.2	-6,000.00
84	08/06/2020	JKLAKSHMI	Sell	34,000	3,000	3,000	100	4,618.70
85	08/06/2020	MOIL	Sell	56,460	5,000	5,000	100	4,813.05
86	11/06/2020	TATAELXSI	Sell	48,779	2,000	2,000	1.45	10,673.85
87	19/06/2020	MHRIL	Sell	44,135	3,095	3,095	100	9,174.60
88	23/06/2020	ISEC	Sell	39,785	2,231	2,231	-	7,954.30
89	24/06/2020	RAMCOCEM	Sell	1,25,426	1,000	1,000	65.1	6,218.80
90	17/07/2020	DEEPAKNTR	Sell	38,929	2,000	2,000	-	5,137.35
91	21/07/2020	MOIL	Sell	1,22,640	3,157	3,157	99.87	3,317.20
92	21/07/2020	SUNPHARMA	Sell	2,73,974	1,000	1,000	48.5	3,363.45
93	23/07/2020	MOIL	Sell	31,728	828	828	100	419.85
94	29/07/2020	MOIL	Sell	54,067	827	827	100	1,277.15
							Total	**12,02,203.65**

27.1.2 I observe that in all 94 instances, buy and sell quantity of all trades of Mr. Bhupendra were same and he squared off his position to earn profit.

27.1.3 SCN has given few Illustration of the pattern of trades executed in the trading account of Mr. Bhupendra around the trading activity of Quest are as follows:

Illustration of Buy-Buy-Sell

Scrip of Mahindra CIE Automotive Ltd. (MAHINDCIE): On April 24, 2019, buy orders were placed from the trading account of Mr. Bhupendra for 8398 shares between 09:26:03 and 13:07:03 pm. The buy start price was Rs. 224.65 and end buy price was Rs. 227.05. Quest placed the buy order for 38,228 shares between 10:13:56 pm and 15:20:25 pm. The buy start price was Rs. 226 and end buy price was Rs. 230. As soon as Quest started buying, sell orders were put for 8398 shares between 10:30:03 am and 13:17:05 pm from the trading account of Mr. Bhupendra. The sell start price was Rs. 229.80 and sell end price was Rs. 229.80. The entire trade had a positive square off difference of Rs. 31,409.

27.1.4 The above illustration shows that pursuant to buy order from trading account of Mr. Bhupendra, as and when the buy order of Quest was placed in the system, because of sudden surge in demand for considerable quantity, there was an upward movement in the price of the scrip and correspondingly, sell trades were executed from the trading account of Mr. Bhupendra.

Illustration of Sell-Sell-Buy

Scrip of Federal Bank. (FEDERALBNK): On March 09, 2020, sell orders were placed from the trading account of Mr. Bhupendra for 1,70,220 shares between 9:57:59 am and 10:06:55 pm. The sell start price was Rs. 74.50 and sell end price was Rs. 75.85. The sell order for 22,08,300 shares was placed by Quest between 10:00:58 pm and 10:10:47 pm. The sell start price was Rs. 73.75 and sell end price was Rs. 75.20. As soon as Quest started selling, buy orders were put for 1,70,220 shares between 10:02:18 pm and 10:07:38 pm from the trading account of Mr. Bhupendra. The buy start price was Rs. 73.85 and buy end price was Rs. 74.90. The entire trade had a positive square off difference of Rs. 1,71,212.55.

27.1.5 From the above it is observed that, the sell orders from the trading account of Mr. Bhupendra started before the impending sell order of the Quest. Further, as and when the sell order of Quest was placed in the system, there was a downward movement in the price of the scrip because of the sudden surge in the number of shares available for sale vis-à-vis demand for the same and correspondingly, buy trades were getting executed from the trading account of Mr. Bhupendra.

27.1.6 I observe that Mr. Bhupendra submitted vide email dated September 03, 2021 that Noticee 2 placed the orders through the trading account with Magnum Equity Broking Ltd in assistance of is son Mr. Ketan.

27.1.7 As already observed Mr. Ketan was the employee in Quest and dealer in Quest and was in the knowledge of impending orders of Quest. Thus it is revealed that trades were executed from the trading account of Mr. Bhupendra by Noticee 2 wherein the buy/sell trades were executed depending on the impending buy/sell/orders of Quest. Further Noticee 2 also submitted in his statement recorded during investigation that he was placing orders in Mr. Bhupendra's trading account on the instruction of Mr. Ketan who is dealer in Quest. Thus I note that Noticee 2 was front running the trades in the account of Mr. Bhupendra on the basis of the information given by Mr. Ketan.

27.2 Summary of total trading activity of **Noticee 2** during the investigation period

Details	**Trading Activity of Noticee 2**		
	No. of Instances	Gross Traded Value (in Rs. Lacs)	Profit (in Rs. Lacs)
No of scrip days traded during investigation period	330	4509.64	4.71
Scrip days wherein day traded (intraday)	215	3824.97	5.02
Scrip Days Common with Quest	72	1848.22	4.61
Total(net) Profit on other days (i.e. not common with Quest)	143	1976.75	0.41

➢ BUY Trades

During the Investigation period, the trades executed from the trading account of Noticee 2 were analysed and it was observed that in 32 instances when a buy order was about to come from the Quest, buy trades were executed from the trading account of Noticee 2, just prior to the buy order of Quest and sell order was placed just before or after the Quest entity order to square off his position. Details of 32 instances are given below:

Sr. No.	Trade date	Symbol	Quest	Big order buy qty	FR buy qty	FR sell qty	Matching %	squared off diff (Rs.)
1	05/03/2019	KOTAKBANK	Buy	2,64,835	2,000	2,000	15.7	7,201.20
2	25/04/2019	MAHINDCIE	Buy	28,581	2,496	2,496	100	6,274.30
3	26/04/2019	MAHINDCIE	Buy	29,336	2,128	2,128	100	5,459.50
4	21/05/2019	BHARATFORG	Buy	2,36,875	2,000	2,000	98.05	3,998.05
5	23/05/2019	BHARATFORG	Buy	95,285	2,500	2,500	100	-5,625.00
6	23/05/2019	CIPLA	Buy	6,29,014	1,000	1,000	11	-4,541.90
7	27/05/2019	CIPLA	Buy	3,07,836	3,500	3,500	13.71	9,863.65
8	23/09/2019	MAHINDCIE	Buy	39,841	252	252	-	1,473.20
9	23/09/2019	MARICO	Buy	4,34,330	5,000	5,000	100	15,778.80
10	24/09/2019	MARICO	Buy	1,27,014	5,000	5,000	89.9	14,296.70
11	17/10/2019	INFY	Buy	1,53,945	5,000	5,000	-	3,133.05
12	23/10/2019	TATAELXSI	Buy	1,43,140	2,500	2,500	100	11,279.20
13	29/10/2019	BANDHANBNK	Buy	5,42,710	5,000	5,000	98.46	24,435.40
14	09/01/2020	SWSOLAR	Buy	1,46,130	371	371	100	672.1
15	14/01/2020	SWSOLAR	Buy	36,419	467	467	100	25.65
16	28/01/2020	JBCHEPHARM	Buy	14,470	442	442	42.76	2,344.80
17	29/01/2020	JBCHEPHARM	Buy	14,925	1,308	1,308	100	214
18	31/01/2020	JBCHEPHARM	Buy	5,466	105	105	100	373
19	03/02/2020	JBCHEPHARM	Buy	14,814	811	811	-	801.3
20	04/02/2020	SWSOLAR	Buy	5,000	197	197	-	768.3
21	12/02/2020	ACC	Buy	73,625	2,500	2,500	40	22,250.00
22	12/02/2020	PRINCEPIPE	Buy	3,68,945	6,025	6,025	49.13	10,773.95
23	14/02/2020	PEL	Buy	61,180	5,000	5,000	96.74	3,904.30
24	18/02/2020	BAJAJ-AUTO	Buy	27,528	37	37	100	503.05
25	18/02/2020	CRISIL	Buy	19,226	1,007	1,007	-	10,468.90
26	20/02/2020	BAJAJ-AUTO	Buy	45,840	960	960	3.13	10,556.75

Sr. No.	Trade date	Symbol	Quest	Big order buy qty	FR buy qty	FR sell qty	Matching %	squared off diff (Rs.)
27	24/02/2020	BIOCON	Buy	15,81,960	4,950	4,950	10.1	-13,561.50
28	26/02/2020	PRINCEPIPE	Buy	1,28,751	739	739	73.48	748.8
29	27/02/2020	CRISIL	Buy	6,650	1,249	1,249	100	23,454.45
30	27/02/2020	PRINCEPIPE	Buy	55,000	9,129	9,129	21.61	10,156.50
31	03/06/2020	HDFCLIFE	Buy	1,24,115	5,000	5,000	-	3,250.00
32	26/06/2020	SBIN	Buy	2,97,960	5,000	5,000	2.6	-158.55
							Total	**1,80,571.95**

➢ SELL Trades

Further it was observed that, in 31 Instances, when a bulk sell order was about to come from Quest, sell trades were executed from the trading account of Noticee 2, just prior to the sell order of Quest. Also, buy orders were placed just before or after the sell orders of Quest in order to square off his position to earn profits. Details of 31 instances are given below:

Sr. No.	Trade date	Symbol	Quest activity	Big order sell qty	FR buy qty	FR sell qty	Matching %	squared off diff (Rs.)
1	11/03/2019	TATACOMM	Sell	4,04,706	5,499	5,499	73.49	27,736.10
2	12/03/2019	TATACOMM	Sell	1,39,631	2,100	2,100	100	10,128.20
3	13/03/2019	TATACOMM	Sell	2,63,971	6,250	6,250	100	30,510.45
4	22/03/2019	TV18BRDCST	Sell	7,70,354	15,000	15,000	100	5,000.00
5	29/03/2019	TV18BRDCST	Sell	14,84,175	45,000	45,000	79.78	17,500.00
6	16/04/2019	SIMPLEXINF	Sell	62,958	3,761	3,761	82.08	16,445.50
7	21/05/2019	KEC	Sell	26,648	2,036	2,036	75.83	7,294.80
8	29/05/2019	VARROC	Sell	98,383	1,000	1,000	-	-16,726.95
9	09/09/2019	KEC	Sell	2,09,126	5,000	5,000	100	7,500.00
10	25/09/2019	KEC	Sell	1,09,176	68	68	100	193.8
11	17/10/2019	MAHINDCIE	Sell	76,141	1,305	1,305	100	2,667.45
12	20/11/2019	M&M	Sell	4,10,194	2,500	2,500	-	523.2
13	19/12/2019	MAHINDCIE	Sell	31,419	2,965	2,965	94.64	-161.9
14	03/01/2020	JMCPROJECT	Sell	16,585	4,060	4,060	100	7,856.30
15	10/01/2020	JMCPROJECT	Sell	1,06,953	4,823	4,823	46.51	4,063.60
16	30/01/2020	LTTS	Sell	15,466	1,211	1,211	97.94	12,307.95
17	01/02/2020	BANDHANBNK	Sell	1,25,000	1,435	1,435	57.35	4,760.35
18	04/02/2020	LTTS	Sell	51,049	1,558	1,558	100	21,357.00

Sr. No.	Trade date	Symbol	Quest activity	Big order sell qty	FR buy qty	FR sell qty	Matching %	squared off diff (Rs.)
19	05/02/2020	LTTS	Sell	38,582	1,460	1,460	65.75	11,851.80
20	07/02/2020	MAHINDCIE	Sell	28,307	5,859	5,859	86.47	13,045.55
21	10/02/2020	LTTS	Sell	3,380	50	50	100	500
22	10/02/2020	MAHINDCIE	Sell	11,104	5,000	5,000	93.88	-14,930.80
23	14/02/2020	SWSOLAR	Sell	27,315	2,755	2,755	54.26	11,109.75
24	18/02/2020	MAHINDCIE	Sell	30,485	918	918	100	934.8
25	19/02/2020	MAHINDCIE	Sell	34,897	3,013	3,013	53.37	5,613.50
26	19/02/2020	SWSOLAR	Sell	58,956	9,663	9,663	100	38,349.30
27	24/02/2020	CIPLA	Sell	4,41,562	7,961	7,961	25.86	23,371.60
28	21/05/2020	TATAELXSI	Sell	13,490	1,000	1,000	96.8	5,154.95
29	26/05/2020	METROPOLIS	Sell	12,238	360	360	100	3,945.60
30	19/06/2020	MHRIL	Sell	44,135	1,520	1,520	70.46	2,386.35
31	17/07/2020	DEEPAKNTR	Sell	38,929	2,224	2,224	-	1,328.50
							Total	**2,61,616.75**

27.2.1 I observe that buy and sale quantity of all the trades of Noticee 2 were same and he squared off all his positions, to earn profits.

27.2.2 SCN has given few Illustration to explain the pattern of the trades executed from the trading account of Noticee 2 around the trading activity of Quest:

Illustration of Buy-Buy-Sell

Scrip of CRISIL. (CRISIL): On February 27, 2020, buy order was placed from the trading account of Noticee 2 for 1249 shares at 09:19:51 am. The buy price was Rs. 1566.60. The buy order for 6650 shares was placed by the Quest between 10:03:52 pm and 10:35:58 pm. The buy start price was Rs. 1584.65 and end buy price was Rs. 1600. As soon as Quest started buying, sell order was put for 1249 shares at 10:07:06 from the trading account of Noticee 2. The sell price was Rs.1598. The entire trade had a positive square off difference of Rs. 23,454.45.

27.2.3 From the above illustration I find from above that the buy order from the trading account of Noticee 2 was placed before the impending buy order of Quest.

Further, as and when the buy order of Quest was placed in the system, because of the sudden surge in demand for a considerable quantity, there was an upward movement in the price of the scrip and correspondingly, sell trade was executed from the trading account of Noticee 2.

27.2.4Thus it is observed that trades were executed from the trading account of Noticee 2, wherein the buy / sell trades were executed depending on the impending buy / sell orders of the Quest.

Illustration of Sell-Sell-Buy

Scrip of Sterling and Wilson Solar Ltd. (SWSOLAR): On February 19, 2020, sell orders were placed from the trading account of Noticee 2 for 9,663 shares between 15:04:50 am and 15:11:04 pm. The sell start price was Rs. 237.00 and sell end price was Rs. 241.35. The sell order for 58,956 shares was placed by Quest. between 15:07:03 pm and 15:29:54 pm. The sell start price was Rs. 235.00 and sell end price was Rs 238.65. As soon as Quest. started selling, buy orders were put for 9663 shares between 15:11:22 pm and 15:12:04 pm from the trading account of Noticee 2. The buy start price was Rs. 235 and buy end price was Rs. 235. The entire trade had a positive square off difference of Rs. 38,349.

27.2.5 I find from above that sell orders from the trading account of Noticee 2 started before the impending sell order of the Quest. Further, as and when the sell order of Quest were placed in the system, there was a downward movement in the price of the scrip because of the sudden surge in the number of shares available for sale vis-à-vis demand for the same and correspondingly, buy trades were getting executed from the trading account of Noticee 2.

27.2.6 In view of the above it is revealed that trades were executed from the trading account of Noticee 2, wherein the buy / sell trades were executed depending on the impending buy / sell orders of the Quest.

27.3 Summary of total trading activity of **Noticee 1** during the investigation period is as below:

Details	Trading Activity of Noticee 1		
	No. of Instances	Gross Traded Value (in Rs. Lacs)	Profit (in Rs. Lacs)
No of scrip days traded during investigation period	296	4221.81	7.49
Scrip days wherein day traded (intraday)	213	3930.69	7.58
Scrip Days Common with Quest	101	2844.89	6.43
Total(net) Profit on other days (i.e. not common with Quest)	112	1085.79	1.15

- BUY Trades

During the Investigation period, the trades executed from the trading account of Noticee 1 were analysed and it was observed that in 51 instances, when a bulk buy order was about to come from Quest, buy trades were executed from the trading account of Noticee 1, just prior to the buy order of Quest and sell order was placed just before or after the buy order of the Quest in order to square off her position. Details of 51 instances are given below:

Sr. No.	Trade date	Symbol	Quest activity	Big order buy qty	FR buy qty	FR sell qty	Matching %	squared off diff (Rs.)
1	24/04/2019	MAHINDCIE	Buy	38,228	2,885	2,885	100	8,087.35
2	30/04/2019	MAHINDCIE	Buy	1,05,722	4,297	4,297	97.21	22,319.70
3	02/05/2019	MAHINDCIE	Buy	61,570	1,621	1,621	100	3,286.75
4	03/05/2019	MAHINDCIE	Buy	51,360	2,365	2,365	100	489.5
5	06/05/2019	MAHINDCIE	Buy	40,030	2,000	2,000	100	3,700.00
6	09/05/2019	MAHINDCIE	Buy	35,000	2,174	2,174	100	4,779.85
7	10/05/2019	MAHINDCIE	Buy	37,638	6,068	6,068	100	11,924.85
8	13/05/2019	MAHINDCIE	Buy	44,578	7,158	7,158	88.8	10,478.20
9	14/05/2019	MAHINDCIE	Buy	37,007	3,766	3,766	100	8,701.75
10	22/05/2019	BHARATFORG	Buy	47,429	1,000	1,000	9	2,680.00
11	23/05/2019	BHARATFORG	Buy	95,285	3,023	3,023	-	-5,787.95

Sr. No.	Trade date	Symbol	Quest activity	Big order buy qty	FR buy qty	FR sell qty	Matching %	squared off diff (Rs.)
12	27/05/2019	CIPLA	Buy	3,07,836	2,500	2,500	5.52	6,047.40
13	07/06/2019	BHARATFORG	Buy	10,000	1,000	1,000	10.5	-2,545.00
14	17/06/2019	DIVISLAB	Buy	40,860	1,500	1,500	83.4	9,479.30
15	18/06/2019	DIVISLAB	Buy	66,655	1,818	1,818	80.47	10,318.85
16	19/06/2019	DIVISLAB	Buy	55,775	1,932	1,932	100	16,362.05
17	25/06/2019	DIVISLAB	Buy	31,277	1,133	1,133	96.38	6,903.55
18	30/10/2019	BANDHANBNK	Buy	3,56,620	5,000	5,000	100	15,572.95
19	30/10/2019	TATAELXSI	Buy	2,15,451	2,500	2,500	90.84	13,924.50
20	01/11/2019	FEDERALBNK	Buy	19,32,580	20,000	20,000	-	4,000.00
21	26/02/2020	PRINCEPIPE	Buy	1,28,751	8,000	8,000	58.08	-1,013.40
22	28/02/2020	BAJAJ-AUTO	Buy	1,24,930	3,513	3,513	84.09	45,295.80
23	31/03/2020	RAMCOCEM	Buy	1,05,195	5,000	5,000	100	-6,366.80
24	08/04/2020	NOCIL	Buy	1,72,222	15,000	15,000	70.87	12,000.00
25	09/04/2020	NOCIL	Buy	2,20,000	9,328	9,328	23.57	13,398.40
26	15/04/2020	MOIL	Buy	1,24,378	10,000	10,000	100	3,902.60
27	04/05/2020	KANSAINER	Buy	76,557	5,000	5,000	48.96	1,624.40
28	04/05/2020	VTL	Buy	2,110	169	169	100	1,789.40
29	05/05/2020	KANSAINER	Buy	97,281	5,670	5,670	95.2	11,351.20
30	05/05/2020	RAMCOCEM	Buy	21,250	1,000	1,000	100	2,951.30
31	06/05/2020	GALAXYSURF	Buy	9,701	335	335	84.78	5,136.55
32	07/05/2020	KANSAINER	Buy	51,790	2,500	2,500	100	7,712.65
33	07/05/2020	MOIL	Buy	79,503	6,690	6,690	90.48	12,290.25
34	08/05/2020	SBILIFE	Buy	17,495	1,000	1,000	-	1,994.35
35	11/05/2020	COROMANDEL	Buy	50,600	2,500	2,500	100	14,524.55
36	11/05/2020	MHRIL	Buy	35,370	404	404	-	1,328.20
37	13/05/2020	RAMCOCEM	Buy	61,315	4,052	4,052	97.06	18,486.40
38	15/05/2020	MOIL	Buy	1,779	514	514	-	596.3
39	15/05/2020	RAMCOCEM	Buy	70,655	2,000	2,000	100	15,803.15
40	20/05/2020	COROMANDEL	Buy	24,997	1,079	1,079	100	5,073.15
41	20/05/2020	METROPOLIS	Buy	5,668	1,000	1,000	-	-4,850.55
42	20/05/2020	RAMCOCEM	Buy	44,839	5,000	5,000	100	25,931.55
43	29/05/2020	BAJAJFINSV	Buy	8,001	250	250	-	1,047.05
44	12/06/2020	ESCORTS	Buy	31,810	1,000	1,000	2.5	5,939.30
45	15/06/2020	M&MFIN	Buy	5,69,625	11,000	11,000	-	-20,418.80
46	02/07/2020	BIRLACORPN	Buy	47,326	1,967	1,967	-	9,118.80
47	06/07/2020	HCLTECH	Buy	1,15,365	3,000	3,000	3.5	9,555.65
48	20/07/2020	TV18BRDCST	Buy	26,79,010	7,580	7,580	-	3,032.00

Sr. No.	Trade date	Symbol	Quest activity	Big order buy qty	FR buy qty	FR sell qty	Matching %	squared off diff (Rs.)
49	27/07/2020	TATACOMM	Buy	16,950	3,000	3,000	10	-117.6
50	29/07/2020	SBIN	Buy	3,12,720	2,500	2,500	-	4,125.00
51	31/07/2020	SEQUENT	Buy	4,18,385	8,000	8,000	7.19	10,166.20
							Total	**3,62,130.65**

- SELL Trades

In 36 Instances, when a bulk sell order was about to come from the Quest, sell orders were executed from the trading account of Noticee 1, just prior to the sell order of Quest and buy order were placed just before or after the order of Quest in order to square off her position to earn profits. Details of 36 instances are given below:

Sr. No.	Trade date	Symbol	Big client activity	Big order sell qty	FR buy qty	FR sell qty	Matching %	squared off diff (Rs.)
1	20/05/2019	CONCOR	Sell	46,802	1,500	1,500	66.67	3,619.55
2	20/05/2019	COROMANDEL	Sell	21,871	249	249	100	747
3	20/05/2019	KEC	Sell	1,34,408	2,000	2,000	100	5,526.95
4	18/06/2019	CONCOR	Sell	32,355	104	104	100	394
5	08/07/2019	MAHINDCIE	Sell	9,411	431	431	100	647.25
6	16/07/2019	GUJGASLTD	Sell	3,70,269	8,100	8,100	98.53	11,833.00
7	17/07/2019	GUJGASLTD	Sell	1,86,684	1,486	1,486	-	823.95
8	23/07/2019	GUJGASLTD	Sell	1,05,862	3,997	3,997	100	3,521.05
9	26/07/2019	KEC	Sell	1,11,713	1,050	1,050	85.71	1,403.05
10	29/07/2019	GUJGASLTD	Sell	1,73,838	7,000	7,000	100	10,850.00
11	29/07/2019	KEC	Sell	60,427	500	500	100	1,055.35
12	28/02/2020	ITC	Sell	30,45,049	10,000	10,000	95.06	5,648.05
13	28/02/2020	MAHLOG	Sell	21,641	1,493	1,493	100	2,785.45
14	09/03/2020	FEDERALBNK	Sell	22,08,300	1,42,873	1,42,873	57.93	45,106.35
15	09/04/2020	JBCHEPHARM	Sell	1,51,503	3,500	3,500	92.57	15,521.55
16	21/04/2020	BAJAJ-AUTO	Sell	58,255	2,000	2,000	-	1,569.05

Sr. No.	Trade date	Symbol	Big client activity	Big order sell qty	FR buy qty	FR sell qty	Matching %	squared off diff (Rs.)
17	21/04/2020	DLF	Sell	3,79,515	2,500	2,500	22.08	1,125.00
18	30/04/2020	BHARTIARTL	Sell	1,95,567	2,000	2,000	-	4,709.50
19	30/04/2020	TRENT	Sell	49,468	2,000	2,000	100	15,102.70
20	04/05/2020	BAJAJ-AUTO	Sell	21,593	508	508	18.31	4,602.40
21	05/05/2020	PRINCEPIPE	Sell	1,20,280	25,000	25,000	93.36	21,944.75
22	07/05/2020	SUNPHARMA	Sell	72,475	2,500	2,500	-	-577.4
23	14/05/2020	BPCL	Sell	2,46,299	20,000	20,000	87.27	15,054.00
24	14/05/2020	TATAELXSI	Sell	25,900	2,500	2,500	80	15,729.90
25	15/05/2020	IPCALAB	Sell	18,667	2,000	2,000	100	28,249.25
26	18/05/2020	BAJAJ-AUTO	Sell	1,11,561	4,281	4,281	79.42	30,251.50
27	29/05/2020	RAMCOCEM	Sell	9,950	250	250	100	-2,750.00
28	08/06/2020	JKLAKSHMI	Sell	34,000	1,391	1,391	100	1,686.75
29	08/06/2020	MOIL	Sell	56,460	5,000	5,000	100	4,046.15
30	09/06/2020	SBIN	Sell	1,550	3,000	3,000	-	2,518.35
31	11/06/2020	TATAELXSI	Sell	48,779	1,000	1,000	15.4	4,645.25
32	24/06/2020	RAMCOCEM	Sell	1,25,426	1,000	1,000	51.6	7,365.80
33	21/07/2020	MOIL	Sell	1,22,640	2,843	2,843	100	2,310.35
34	21/07/2020	SUNPHARMA	Sell	2,73,974	2,000	2,000	14.9	5,311.45
35	23/07/2020	NAM-INDIA	Sell	14,287	2,000	2,000	-	-499.5
36	29/07/2020	MOIL	Sell	54,067	32	32	100	114.5
							Total	**2,71,992.30**

27.3.1 I observe that buy and sale quantity of all the trades of Noticee 1 were same. She squared off all her positions to earn profits.

27.3.2 SCN has given few Illustration to explain the pattern of the trades executed from the trading account of Noticee 1 around the trading activity of Quest:

Illustration of Buy-Buy-Sell

Scrip of Ramco Cements. (RAMCOCEM): On May 20, 2020, buy order was placed from the trading account of Noticee 1 for 5,000 shares at 10:35:20 am to 10:37:11. The buy start price was Rs. 553 and buy end price was 555. The buy order for 44,839 shares was placed by the Quest between 10:37:39 am and 10:38:58 am. The buy start price was Rs. 556 and end buy price was Rs. 560. As soon as Quest started buying, sell order was put for 5000 shares at 10:37:44 from the trading account of Noticee 1. The sell price was Rs.559.70. The entire trade had a positive square off difference of Rs. 25,931.55.

27.3.3 From the above illustration I find that the buy order from the trading account of Noticee 1 was placed before the impending buy order of Quest. Further, as and when the buy order of Quest was placed in the system, because of the sudden surge in demand for a considerable quantity, there was an upward movement in the price of the scrip and correspondingly, sell trade was executed from the trading account of Noticee 1.

27.3.4 Thus it is observed that trades were executed from the trading account of Noticee 1, wherein the buy / sell trades were executed depending on the impending buy / sell orders of the Quest.

Illustration of (Sell-Sell-Buy)

Scrip of Federal Bank (FEDERALBNK): On March 09, 2020, Sell order was placed from the trading account of Noticee 1 for 142873 shares during 09:58:37 and 10:20:06 with a start price of Rs. 74.50 and end price of Rs. 75.65. Quest sold 22,08,300 shares in equity segment during 10:00:58 and 10:10:47 with a start price of Rs. 73.75 and end price of Rs75.20. Noticee 1 subsequently bought 1,42,873 shares in Equity segment during 09:58:09 and 10:27:56 with a start price of Rs. 73.85 and end price of Rs. 75.60 and earned a square off difference of Rs. 45,106.35.

27.3.5 I find from above that sell orders from the trading account of Noticee 1 started before the impending sell order of the Quest. Further, as and when the sell order of Quest were placed in the system, there was a downward movement in the price of the scrip because of the sudden surge in the number of shares available for sale vis-à-vis demand for the same and correspondingly, buy trades were getting executed from the trading account of Noticee 1.

27.3.6 In view of the above it is revealed that trades were executed from the trading account of Noticee 1, wherein the buy / sell trades were executed depending on the impending buy / sell orders of the Quest.

28. The above trading pattern of the Noticee 1, Noticee 2 and Mr. Bhupendra clearly reveals that the trades were executed depending on the information relating to impending buy /sell orders of Quest. It is observed from the statement given by Noticee 2 on September 14, 2021 that based on the instruction received from Mr. Ketan through Whatsapp he placed order through the account of Mr. Bhupendra and used to follow the same instructions for placing orders through his own account and his wife Noticee1's account.

29. Thus I conclude that the scheme of front running was orchestrated by Mr. Ketan to 'front run' the trades of the Quest. Mr. Bhupendra was a client of Noticee 1 who is a sub broker with Magnum Equity. However, her husband, Noticee 2 was acting on her behalf as a sub broker. Mr. Ketan shared the information with the connected entity Noticee 2 who placed the orders in the trading account of Mr. Bhupendra at the instructions of Mr. Ketan. Further, Noticee 2 also placed orders in his trading account as well as in the trading account of his wife Noticee 1. I find that during the Investigation period trades were deliberately placed in the trading accounts of Mr. Bhupendra, Noticee 1 by Noticee 2 as also in his own account. The orders were placed in the same scrips in which trading was being carried out by Quest. Investigation has brought out that Noticee 1 and Noticee 2 made wrongful gains of Rs 6,34,122 and Rs 4,42,188.70 respectively by front running the trades of Quest, which were executed by Noticee 2, who was

instrumental and responsible for placing orders based on the information received from Mr. Ketan.

30. In this regard, in the matter of "**SEBI Vs Shri Kanaiyalal Baldevbhai Patel and other connected matters"** the Hon'ble Supreme court of India has discussed the nature of " front running trades" as follows:

"…..16.As this case involves practice of 'front-running' in security market, a reference may be made to various definitions and meanings of front-running-
Major Law Lexicon by P. Ramanatha Aiyar (4th Ed. (2010) -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 the 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 (9thEd.)- 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 many 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

17.SEBI has defined front-running in one of its circular 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. 18.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'(emphasis added)

19.In actuality, front-running is more complicated than these definitions suggest. 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"). In this batch of appeals we are concerned with the first and the last types of trade i.e., tippee trading and trading ahead. It is important to note that trading ahead has been explicitly recognized under regulation 4(2)(q) of FUTP 2003."

31. Noticee 2 vide his reply to the SCN contended that the trades or pattern were never meant to hurt investor community and the mistake was unknowingly done by him by following the trades of Mr. Bhupendra. Thus Noticees vide their reply had submitted that they only mimicked the trading pattern as instructed by Mr.

Ketan and they did not have any bad intention. In this regard I would like to refer to Hon'ble Securities Appellate Tribunal's judgement in the matter of **Anandkumar Baldevbhai Patel v/s SEBI** Appeal No. 78 of 2012 dated 15.03.2019, wherein Hon'ble Tribunal in the matter of front running of trades held regarding intention of parties. The relevant extracts of the said judgement is reproduced below:

"…….10…The modus operandi was such that DP was in constant touch with KB and the appellant and was passing on the sensitive information which was being utilized by KB from his trading activity.
11. In addition to the aforesaid, we also find that the appellant is the beneficiary of the profits from the trading activities done by KB. We find that the profit received by KB was transferred to Bhoomi Industries in which the appellant was a partner. We further find that the same amount was again transferred to the personal account of the appellant. Thus an irresistible conclusion can be drawn that the profits earned through this illegal trading activity by KB was shared with the appellant…..
12. In Securities and Exchange Board of India v. Kishore R. Ajmera (2016) 6 SCC 368, the Supreme Court held that, "26. It is a fundamental principle of law that proof of an allegation leveled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and leveled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. 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 the Court 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."
13. In SEBI vs. Rakhi Trading (P) Ltd. (2018) 13 SCC 753, Supreme Court held that in the quasi judicial proceedings before SEBI, the standard of proof is preponderance of probability and that proof of manipulation depends on

inference drawn from a mass of factual details. The Supreme Court held that; "4.24. The proof of manipulation in the circumstances always depends on inferences drawn from a mass of factual details. Findings must be gathered from patterns of trading data and the nature of the transactions, etc. Several circumstances of a determinative character coupled with the inference arising from the conduct of the parties in a major market manipulation could reasonably lead to conclusion that the Broker was responsible in the manipulation. The evidence, direct or circumstantial, should be sufficient to raise a presumption in its favour with regard to the existence of a fact sought to be proved." Supreme Court further held that; "4.25. Presumption plays a critical role in coming to a finding as to the involvement or otherwise of a market participant in any manipulation. For instance, while trading, a lip service can be paid to a screen based trading system while agreement is reached beforehand between brokers to effect the transaction. Anonymity can be a cloak to cover anastomosis of interest. Therefore, the hackneyed plea based on intentions in the market place cannot pass muster in all circumstances, more so when such intentions are in the special/peculiar knowledge of the parties to the transactions. Also any suggestion attributing innocence to the parties involved in such transactions would give rise to an untenable situation where certain other third persons/entities alone would be responsible for the manipulation and none else."
14. From the aforesaid decisions, it can safely be inferred that it is not necessary that there has to be a clinching evidence or that the intention has to be proved in order to impose penalty under the SEBI Act. The standard of proof is preponderance of probability and the proof of manipulation always depends on the inferences drawn from a host of circumstances. A finding has to be arrived at from the pattern of trading. The cumulative analysis determines the modus operandi which can lead to an inference regarding the conduct of the parties while manipulating the securities market and thereby arrive at a conclusion of manipulation…...."

32. In the aforesaid judgement Hon'ble tribunal held that a clinching evidence or intention is not necessary to be proved in order to impose penalty under the SEBI

Act. In the present case there is no issue of evidence as Noticees, Mr. Ketan and Mr. Bhupendra themselves had admitted that information was being passed on by Mr. Ketan regarding front running of trades of Quest and thus clinching evidence in this regard is present. Thus I note that the contention the Noticees is not tenable. I further note that apart from Quest, other investors in the market may also have been suffered due to such transactions.

33. Hon'ble Apex Court has in the matter of **Kanhaiyalal Badlev** (Supra) also held regarding liability of third party/ non-intermediary in the case of front running, which reads as follows:

"…..42.The law of confidentiality has a bearing on this case instant. "Confidential information acquired or compiled by a corporation in the course and conduct of its business is a species of property to which the corporation has the exclusive right and benefit, and which a court of equity will protect through the injunctive process or other appropriate remedy." The information of possible trades that the company is going to undertake is the confidential information of the company concerned, which it has absolute liberty to deal with. Therefore, a person conveying confidential information to another person (tippee) breaches his duty prescribed by law and if the recipient of such information knows of the breach and trades, and there is an inducement to bring about an inequitable result, then the recipient tippee may be said to have committed the fraud. 43.Accordingly, non-intermediary front running may be brought under the prohibition prescribed under regulations 3 and 4 (1), for being fraudulent or unfair trade practice, provided that the ingredients under those heads are satisfied as discussed above. From the above analysis, it is clear that in order to establish charges against tippee, under regulations 3 (a), (b), (c) and (d) and 4 (1) of FUTP 2003, one needs to prove that a person who had provided the tip was under a duty to keep the non-public information under confidence, further such breach of duty was known to the tippee and he still trades thereby defrauding the person, whose orders were front-runned, by inducing him to deal at the price he did.

44.Taking into consideration the facts and circumstances of the case before us and the law laid down herein above and SEBI v. Kishore R. Ajmera (Supra) can only lead to one conclusion that concerned parties to the transaction were involved in an apparent fraudulent practice violating market integrity. The parting of information with regard to an imminent bulk purchase and the subsequent transaction thereto are so intrinsically connected that no other conclusion but one of joint liability of both the initiator of the fraudulent practice and the other party who had knowingly aided in the same is possible."

34. Hon'ble Securities Appellate Tribunal has recently held in the matter of **Kamal Jitendra Katkoria V/s SEBI** (Appeal No. 299 of 2018 dated June 09, 2022) which is as follows:

"…..11. As regards the ratio in the case of SEBI vs. Kanaiyalal Baldevbhai Patel, we find that the appellant is merely relying on the part of the declaration made by the Supreme Court in that case. According to the appellant the Hon'ble Supreme Court had laid down parameters as under.
"i) one needs to prove that a person who had provided the tip was under a duty to keep the non-public information under confidence,
ii) such breach of duty was known to the tippee.
iii) tippee still trades thereby defrauding the person, whose orders were front run,
iv) by inducing him to deal at the price he did."

35. Further the Hon'ble Tribunal vide the aforementioned order upheld the order of WTM which has similar facts to the present case. The relevant extracts of the said order are as follows:

"…..13. Even otherwise, the facts of the case of the SEBI vs. Kanaiyalal Baldevbhai Patel also shows that Kanaiyalal - an individual trader used to put orders for trading in the scrips ahead of one Passport India Investment (Mauritius) Ltd. One Dipak Patel, was the portfolio manager of said Passport India Investment (Mauritius) Ltd. and cousin of Kanaiyalal. It was alleged that

Dipak Patel used to provide information to Kanaiyalal regarding the forthcoming trading activity of Passport India Investment (Mauritius) Ltd. Kanaiyalal earned a total profit of Rs. 1,56,00,000/- and odds which was directed to be disgorged. This disgorgement was ultimately upheld by the Supreme Court. In that case the Supreme Court underlined that it was case of "non-intermediary front running". Thus the facts are similar to the present case.

14. Considering all the above facts on record and more particularly since the issue is already finally heard and decided, we do not find any merit in the appeal."

36. In view of the findings and discussions in the preceeding paragraphs, I find that Noticee 2 was indirectly in possession of information regarding the impending buy / sell transaction of Quest which was not publicly available information and fraudulently carried out the trades by front running the trades in his own account and account of Mr. Bhupendra and Noticee1. Further Noticee 1 by allowing her account to be used was part of the fraudulent activity. I find that the intent of the Noticees while trading during the investigation period was not to secure beneficial ownership of the respective scrips but to gain out of the fraudulent activity. Thus the trades executed by Noticee 1 & Noticee 2 were manipulative, fraudulent or unfair trade practices. Thus Noticee 1 & 2 have violated Section 12A(a), 12A(b), and 12A(c) of SEBI Act, 1992, Regulation read with 2(1)(c), 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(q) of PFUTP Regulations.

Issue no. 2: Does the violations, if any, on the part of the Noticee 1 & 2 attract monetary penalty under section 15 HA of the SEBI Act?

37. As has been established in foregoing paragraphs that Noticee 1 & 2 have violated12A(a), 12A(b), and 12A(c) of SEBI Act, 1992, Regulation read with 2(1)(c), 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(q) of PFUTP Regulations. The Hon'ble Supreme Court of India in the matter of SEBI vs. Shri Ram Mutual Fund *interalia* held " *once the violation of statutory regulations is established, imposition of penalty becomes sine qua non of violation and the intention of parties committing*

such violation becomes totally irrelevant. Once the contravention is established then the penalty is to follow."

38. Therefore, I am convinced that it is a fit case for imposition of monetary penalty under the provisions of Section 15 HA of SEBI Act.

Issue no. 3: If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in section 15J of SEBI Act?

Penalty for fraudulent and unfair trade practices.

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.

39. While imposing monetary penalty it is important to consider the factors stipulated in section 15J of SEBI Act, which reads as under :

15J – Factors to be taken into account by the adjudicating officer :
While adjudging quantum of penalty under section 15-I, 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."

40. I note from the investigation report the Noticees have made following profit by front running in their activity during the investigation period:

Entity Name	Unlawful Profit made
Noticee 1	Rs. 6,34,122
Noticee 2	Rs. 4,42,188.70

41. I note that no prior default of the Noticees is available on record hence the violation is not repetitive. However, I note that the Noticees made such unlawful gains through their front running activities which are violative of securities laws. The violation of the Noticees cannot be dealt with lightly as it would undermine investors' confidence in the securities market and has to be viewed seriously and calls for appropriate penalty.

ORDER

42. Having considered the facts and circumstances of the case, the material available on record, the factors mentioned in Section 15J of the SEBI Act, the purpose of SEBI PFUTP Regulations 2003, taking note of Section 15HA of the SEBI Act, and also taking into account judgement of the Hon'ble Supreme Court in *SEBI vs. Bhavesh Pabari (2019) 5 SCC 90* and in exercise of power conferred upon me under section 15-I of the SEBI Act, 1992 read with rule 5 of the Adjudication Rules, 1995, I hereby impose following penalty under section 15HA of the SEBI Act, 1992 on the Noticees:

Name of the Noticee	Violated Provisions	Unlawful gains (Rs.)	Penalty (Rs.)
Jasmine Piyush Karia	Section 12A(a), 12A(b), and 12A(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(q) of PFUTP Regulation	6,34,122	1268244/- (Rupees Twelve lac, sixty eight thousand and two hundred fourty four)

Piyush Vasantbhai Karia	Section 12A(a), 12A(b), and 12A(c) of SEBI Act, 1992, Regulation 2(1)(c), 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(q) of PFUTP Regulations.	4,42,188.70	884377/- (Eight lac, eighty four thousand and three hundred seventy seven Rupees only)

43. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:
ENFORCEMENT → Orders → Orders of AO → PAY NOW

44. The aforesaid Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid to "The Division Chief (Enforcement Department 1 DRA-2), Securities and Exchange Board of India, SEBI Bhavan, Plot No. C – 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051." The Noticees shall also provide the following details while forwarding DD / payment information:
    - Name and PAN of the Noticee
    - Name of the case / matter
    - Purpose of Payment – Payment of penalty under AO proceedings
    - Bank Name and Account Number
    - Transaction Number

45. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under section 28A of the SEBI Act, 1992 for

realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

46. In terms of the provisions of rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticees and also to the Securities and Exchange Board of India.

Date: July 28, 2022	**BARNALI MUKHERJEE**
Place: Mumbai	**ADJUDICATING OFFICER**