BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO: Order/BM/UR/2022-23/21056)

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

In respect of

NAVIN CHANDRA VIPANI HUF
(**PAN: AAEHN4682D**)
In the matter of dealings in Illiquid Stock Options at the BSE

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter be referred to as, the **SEBI**) conducted investigation into the trading activity in illiquid stock options on BSE Limited (hereinafter be referred to as, the **BSE**) for the period April 01, 2014 to September 30, 2015 (hereinafter be referred to as, the **Investigation Period**) after observing large scale reversal of trades in the Stock Options segment of the BSE.

2. The investigation revealed that during the Investigation Period, a total of 2,91,744 trades comprising 81.40% of all the trades executed in the BSE Stock Options Segment were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract. It was observed that Navin Chandra Vipani HUF (hereinafter be referred to as, the "**Noticee"**) was one such client whose reversal trades involved squaring off open positions with a significant difference without any basis for such change in the contract price. The aforesaid reversal trades allegedly resulted into generation of artificial volumes, leading to allegations that the Noticee had violated the provisions of regulations 3(a), (b), (c), (d) and

regulations 4(1), 4(2)(a) of the SEBI (Prohibition of Fraudulent and Unfair Trading Practices related to Securities Markets) Regulations, 2003 (hereinafter be referred to as, the PFUTP Regulations, 2003).

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI initiated adjudication proceedings and appointed the undersigned as Adjudicating Officer under section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter be referred to as, the SEBI Act, 1992) read with rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter be referred to as, **PFUTP Regulations, 1995**) vide order dated November 12, 2021 to inquire into and adjudge under section 15HA of the SEBI Act, 1992 against the Noticee for the alleged violation of aforesaid provisions of PFUTP Regulations, 2003.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice dated August 10, 2022 (hereinafter be referred to as, the **SCN**) was served upon the Noticee under rule 4(1) of the Adjudication Rules, 1995 to show cause as to why an inquiry should not be held and penalty be not imposed against it under section 15HA of the SEBI Act for the alleged violation of the provisions of regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of the PFUTP Regulations, 2003.

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

   a) That the Noticee was one of the entities which indulged in reversal trades which allegedly created false and misleading appearance of trading, generating artificial volumes in Stock Options segment of the BSE during the Investigation Period.

   b) That the Noticee engaged in 7 instances in 2 unique contracts which led to generation of artificial volume in these unique contracts.

c) The trades entered by the Noticee were reversed on the same day with the same counterparties at a substantial price difference without any basis for significant change in the contract price, which indicates that these trades are artificial and are non-genuine in nature.

d) A summary of dealings of the Noticee in the 2 Stock Options contracts in which the Noticee executed non-genuine reversal trades during the Investigation Period are as under:

Table 1: Summary of trading of the Noticee in Illiquid Stock Options on BSE

S. No.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	% of Artificial trades of the Noticee in the contract to Total trades in the contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1.	DISH14SEP65.00CEW3	2.19	136000	0.05	136000	100	75.56
2.	RPOW15JAN55.00PEW4	1.92	207400	0.05	108000	100	34.62

e) By indulging in execution of aforesaid non-genuine reversal trades, the Noticee has violated the provisions of regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of the PFUTP Regulations, 2003.

6. Vide letter dated September 20, 2022, the Authorized Representative (hereinafter referred to as "**AR**") of the Noticee replied that *"Late Navin Chandra Vipani, Karta of the Firm M/s. Navin Chandra Vipani HUF i.e. the Noticee against whom the instant adjudication proceedings were ordered by SEBI died intestate on 23-07-2020. Further upon death of Late Navin Chandra Vipani, other Members of the said HUF, decided to dissolve the said HUF with effect from 30-10-2020 and have taken necessary steps for full partition of the said HUF as per Section 171(9) of the Income Tax Act, 1961. Thus as on date the Firm viz. M/s. Navin Chandra Vipani HUF is not in existence. It was further stated that the Notice issued is without jurisdiction and the same is void and invalid and should be abated as the*

Notice issued in the name of the dead person is unenforceable in the eye of law and the present proceedings should be dropped.”.

7. The AR of the Noticee submitted the death certificate issued by the Bidhannagar Municipal Corporation, Government of West Bengal, which shows that the Noticee had passed away on July 23, 2020. Further, the AR also submitted copy of Deed of partition of the aforesaid HUF. Thus, the proceedings were initiated and are against the acts of omission and commission of a body of persons who is no more to face the charges.

8. In view of the foregoing, I am of the view that the instant adjudication proceedings against the Noticee are liable to be abated without going into the merits of the case *qua* him and the SCN dated August 10, 2022 issued against him is disposed of accordingly.

9. In terms of rule 6 of the Adjudication Rules, 1995, copy of this order is sent to the Noticee’s last known address and also to SEBI.

Place: Mumbai **Barnali Mukherjee**

Date: November 02, 2022 **Adjudicating Officer**