BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO: Order/GR/BM/2022-23/24873)

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

(Late) Shri Jugal Kishore Modi

(**PAN: AEXPM8911M**)

In the matter of dealings in Illiquid Stock Options at the BSE

BACKGROUND OF THE CASE

i. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') observed large scale reversal of trades in the stock options segment of Bombay Stock Exchange (here in after referred to as '**BSE**') leading to creation of artificial volume at BSE. Pursuant to a preliminary examination conducted in the Illiquid Stock Options matter, Interim order was passed by SEBI on August 20, 2015 which was confirmed vide Orders dated July 30, 2016 and August 22, 2016. In this regard, SEBI conducted an investigation into the trading activity in the illiquid stock options Segment at BSE for the period April 01, 2014 to September 30, 2015 (hereinafter referred to as "Investigation Period/IP") and completed in the year 2018. The investigation revealed that 14,720 entities were involved in executing non-genuine trades in BSE's stock option segment during the investigation period.

ii. It was observed during the course of investigation that a total of 2,91,643 trades comprising 81.38% of all the trades executed in the stock options segment at BSE during the investigation period were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract on the same day. It was also observed that the aforesaid trades resulted into creation of artificial volume to the tune of 826.21 Crore units or 54.68% of the total market volume in stock options segment of BSE during the investigation period.

iii. In view of the large scale reversal of trades that were observed in the illiquid stock options segment at BSE, it is alleged that these trades were non-genuine in nature. It was observed that **Jugal Kishore Modi (PAN No. AEXPM8911M)** (hereinafter referred to as "**Noticee**") was one of the various entities which indulged in execution of the non-genuine trades in the stock options segment at BSE during the above referred investigation period. It was observed that Noticee had entered into reversal trades with his counterparties which involved squaring off transactions with significant difference in sell value and buy value of the transactions.

iv. Therefore, it was alleged that Noticee had executed the reversal trades which were non-genuine in nature and have created false or misleading appearance of trading in terms of creation of artificial volume in the stock options segment at BSE and therefore, it was alleged that the Noticee has violated the provisions of Regulations

3(a), (b), (c), (d) and Regulation 4(1), 4(2) (a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003 (here in after referred to as "PFUTP Regulations"). In view of the above, adjudication proceedings had been initiated against the Noticee under the provisions of Section 15 HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as 'SEBI Act').

APPOINTMENT OF ADJUDICATING OFFICER

v. In this regard, SEBI, after being satisfied that there are sufficient grounds to inquire into the affairs and adjudicate upon the alleged violations as mentioned above inter-alia in respect of Noticee, had appointed the undersigned as Adjudicating Officer ('AO') under section 19 read with section 15-I(1) of the SEBI Act, 1992 (hereinafter referred to as "SEBI Act") and rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter, referred to as "Adjudication Rules, 1995") vide order dated June 21, 2021 communicated vide communique dated July 27, 2021 to conduct adjudication proceedings in the manner specified under rule 4 of Adjudication Rules, 1995 read with section 15-I (1) and (2) of SEBI Act, and if satisfied that penalty is liable, impose such penalty as deemed fit in terms of rule 5 of Adjudication Rules, 1995 and section 15HA of SEBI Act.

SHOW CAUSE NOTICE, REPLY AND HEARING

vi. Subsequently, a Show Cause Notice dated August 04, 2022 (hereinafter 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 him 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.

vii. However, vide letter dated August 24, 2022, Hemlata Sethi, daughter of the Noticee apprised this office about the death of her father i.e. the Noticee on dated September 22, 2014 and requested to abate the instant proceedings initiated against her father.

viii. The Death Certificate provided by the daughter of the Noticee issued by the South Delhi Municipal Corporation, Delhi shows that the Noticee had passed away on December 14, 2021. The death certificate was verified from the website of aforesaid Municipal Corporation and the same is also on record.

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

x. In view of the foregoing, I am of the view that the Adjudication Proceedings initiated against the Noticee will not survive and is liable to be abated without going into the merits of the case qua him and the SCN dated August 04, 2022 issued against him is disposed of accordingly.

xi. 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 **G. Ramar**

Date: March 24, 2023 **Adjudicating Officer**