BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: Order/SKV/VC/2023-24/27124)

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 Kaushalya Devi Patwari

(PAN: AFLPP8227N)

In the matter of dealings in Illiquid Stock Options at BSE

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') had conducted an investigation into large scale reversal of trades in Stock Options segment of Bombay Stock Exchange (hereinafter referred to as '**BSE**') during the period of April 01, 2014 to September 30, 2015 (hereinafter referred to as **'investigation period'**).

2. Pursuant to investigation, it was observed that during the investigation period, there were trades executed in BSE Stock Options Segment involving reversal of buy and sell positions by clients and counterparties in the same contract. The reversal trades involved squaring off trades (either buy or sell), with significant difference in the price. Late Kaushalya Devi Patwari (hereinafter referred to as **'Noticee'**) was one among the entities who indulged in reversal trades, which allegedly created false and misleading appearance of trading thereby generated artificial volumes in the Stock Options Segment of BSE during the investigation period. The trades entered in the unique contracts were reversed on the same day with same counterparties, at a price difference which had no underlying basis and without an intention of performing it or there being a change of

ownership / rights in the contracts. These factors indicated that these trades were allegedly artificial and non- genuine in nature.

APPOINTMENT OF ADJUDICATING OFFICER

3. In this connection, SEBI had initiated adjudication proceedings against Noticee, under SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **'Adjudication Rules'**) for allegedly violating Regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as **'PFUTP Regulations'**), in the matter of trading in illiquid stock options at BSE. SEBI vide order dated September 20, 2021, appointed Mr. Mukul Shukla as Adjudicating Officer under Section 19 read with sub-section (1) of section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act'**) and Rule 3 of the Adjudication Rules to inquire into and adjudge the alleged violations by the Noticee and determine whether penalty under Section 15HA of the SEBI Act is liable to be imposed. Thereafter, vide order dated March 17, 2023, the matter was transferred to the Ms. Asha Shetty. Subsequently, upon transfer of Ms. Asha Shetty vide *communiqué* dated April 17, 2023, the instant matter was transferred to the undersigned.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice no. SEBI/HO/IVD/ID5/SCN/AO-MS/SP/32840/12022 dated August 02, 2022 (hereinafter referred to as **'SCN'**) was served on the Noticee, in terms of the provisions of Rule 4(1) of the Adjudication Rules read with section 15-I of the SEBI Act, requiring the Noticee to show cause as to why an inquiry should not be held against her in terms of Adjudication Rules read with section 15-I of the SEBI Act, and penalty, if any, should not be imposed on Noticee under section 15HA of the SEBI Act for the aforesaid alleged contraventions done by her.

5. Further, an opportunity of hearing was granted to Noticee for the purpose of inquiry in the instant matter vide hearing notice dated May 25, 2023. In reply to the hearing notice, vide e-mail dated June 03, 2023, Pawan Patwari (hereinafter referred to as "Authorized Representative /AR") who stated to be son of the Noticee has informed about the death of Noticee on November 04, 2022 and submitted a copy of the death certificate of Noticee. The death certificate shows that the Noticee passed away on November 04, 2022. The death certificate has been cross verified from the Janma Mrityu Tathya Portal, Health & Family Welfare Department, Government of West Bengal.

6. Before proceeding further in the matter on merit, it would be in the fitness of things to first decide as to whether on the death of the Noticee, the present adjudication proceedings against her would continue or abate.

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

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 her and the SCN dated August 02, 2022 issued against her is disposed of accordingly.

9. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to SEBI and to the last known address of deceased Noticee as well as to the AR.

Place: Mumbai	**SHASHI KUMAR VALSAKUMAR**
Date: June 05, 2023	**ADJUDICATING OFFICER**