

**BEFORE THE ADJUDICATING OFFICER  
SECURITIES AND EXCHANGE BOARD OF INDIA  
(ADJUDICATION ORDER NO: Order/AS/VC/2022-23/25279)**

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**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 Gayatridevi Saraf**

**(PAN: AGQPS4440N)**

In the matter of dealings in Illiquid Stock Options at BSE

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**BACKGROUND OF THE CASE**

1. As part of ongoing surveillance, Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') came across large scale reversal of trades in stock options segment of Bombay Stock Exchange (hereinafter referred to as "**BSE**"). Subsequently, SEBI conducted an investigation into trading activity in illiquid stock options at BSE for the period between April 01, 2014 to September 30, 2015.
2. Pursuant to investigation, it was observed that during the investigation period, a total of 2,91,744 trades comprising 81.40% of all the trades executed in the Stock Options Segment were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract. The reversal trades involved squaring off trades, but with significant difference in the sell value and buy value of the transactions. The aforesaid reversal trades allegedly resulted into generation of artificial volumes. Late Gayatridevi Saraf (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 Noticee was alleged to have engaged in reversal trades through 2

trades in 1 unique contract, which led to generation artificial volume of 3,76,000 units. These trades of the Noticee involved reversal with the same counterparty on the same day, but at a different price. The trades entered by the Noticee were reversed on the same day with same counterparty, at a substantial price difference without any basis for significant changes in the contract price which indicates that these trades were 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. Vide order dated September 20, 2021, Ms. Varsha Agarwal was appointed as Adjudicating Officer under Section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') 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. Subsequently, vide order dated March 17, 2023, the matter was transferred to the undersigned.

### **SHOW CAUSE NOTICE, REPLY AND HEARING**

4. A Show Cause Notice no. SEBI/HO/ISD/ISD\_ISD/P/OW/2022/8794/1 dated February 28, 2022 (hereinafter referred to as '**SCN**') was served on the Noticee, in terms of the provisions of rule 4 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. Subsequently, a notice no. SEBI/HO/ISD/ISD\_ISD/P/OW/2022/44305/1 dated

August 12, 2022 was served on the Noticee, informing her about the SEBI Settlement Scheme, 2022, in terms of Regulation 26 of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 in the matter of Illiquid Stock Options and in case, Noticee do not wish to avail of the facility under the SEBI Settlement Scheme, 2022, Noticee was advised to file a reply to the SCN within 30 days of the receipt of the notice.

5. The undersigned notes from records that, Y. Koteswara Rao, stated to be the Authorized Person of Noticee, has informed erstwhile AO vide email dated November 12, 2022 that Gayatridevi Saraf (Noticee) had passed away on May 24, 2015. Y. Koteswara Rao has also provided a notarized copy of death certificate issued by the Secunderabad Cantonment Board, to this effect vide its email dated November 12, 2022. The death certificate was verified by scanning the QR code given on the death certificate, leading to the digital copy of the aforesaid death certificate hosted at the website of [echhawani.gov.in](http://echhawani.gov.in).
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 29<sup>th</sup> 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 February 28, 2022 and notice dated August 12, 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 Y. Koteswara Rao, who is stated to be Authorized Person of the deceased Noticee.

**Place: Mumbai**

**Date: March 31, 2023**

**ASHA SHETTY**

**ADJUDICATING OFFICER**