BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO: ORDER/SBM/AK/2022-23/16838)

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 Anandi Lal Banka
PAN: ADFPB4064P
249H, G.T. Road, North Liluah,
Howrah, West Bengal -711204

In the matter of

Dealing in illiquid stock options at BSE

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as **'SEBI'**) observed large scale reversal of trades in the Stock Options segment of the Bombay Stock Exchange (hereinafter referred to as **'BSE'**) leading to the alleged creation of artificial volume in the stock options segment. 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'**).

2. 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 by various persons/entities 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 alleged creation of artificial volume to the tune of 826.21 crore units or 54.68% of the total market volume in the Stock Options segment of BSE during the investigation period. 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.

3. It was observed that Shri Anandi Lal Banka (hereinafter referred to as '**Noticee**') was one of the various persons who had indulged in the execution of the non-genuine trades in the Stock Options Segment at BSE during the above referred investigation period. It was observed that the 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. It was therefore 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 is 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 (hereinafter referred to as '**PFUTP Regulations**'). In view of the above reasons, adjudication proceedings have 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

4. The undersigned was appointed as the Adjudicating Officer, vide communique dated July 27, 2021 under section 19 read with section 15-I of the SEBI Act read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **'Adjudication Rules'**) to inquire into and adjudge under the provisions of section 15HA of the SEBI Act the aforementioned alleged violation of the provisions of law by the Noticee.

SHOW CAUSE NOTICE, HEARING AND REPLY

5. Show Cause Notice ref. SEBI/HO/EAD1/SBM/AK/4594/2022 dated February 02, 2022 (hereinafter referred to as **'SCN'**) was issued to the Noticee in terms of rule 4 of the Adjudication Rules requiring the Noticee to show cause as to why an inquiry should not be held against the Noticee and why penalty, if any, should not be imposed on him under the provisions of section 15HA of the SEBI Act.

6. The SCN issued to the Noticee, *inter alia* mentioned/alleged the following-
    a. *It is noted that said alleged non-genuine trades were not restricted to any specific contract or between any specific set of entities. It is noted that Noticee was one of the various persons which indulged in execution of such alleged non-genuine trades in Stock Options Segment of BSE during the Investigation period. Following points deals with the dealings of Noticee during the Investigation period and allegations against him for execution of non-genuine trades.*
    b. *It was observed from the trade data of the Noticee that he has allegedly entered into 4 non-genuine contract wherein it executed a total of 8 trades all of which were, prima facie, non-genuine trades.*

c. *The total volume of 25,56,000 units generated by the Noticee in these 4 contract, due to the alleged non-genuine trades executed by the Noticee artificial volume was generated in the stock option segment at BSE. These alleged non-genuine trades, executed by Noticee in above contracts, had significant difference in the buy rates and sell rates considering that the trades were reversed on same day.*

d. *In view of the foregoing, it was alleged that the Noticee, by indulging in execution of reversal trades in Stock Options with same entities on the same day, which were non-genuine in nature, has created false or misleading appearance of trading in the aforementioned contracts in the options segment of BSE. In view of the fact that these contracts were illiquid in nature, having very small volume in trading, the Noticee allegedly created artificial volumes in stock options which was manipulative and deceptive in nature. Therefore, in view of above, it is alleged that the Noticee has violated Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations, 2003.*

7. In response to the SCN, an email/letter dated February 18, 2022, was received from one Shri. Sushil Kumar Banka, son of Shri Anandi Lal Banka i.e., the Noticee, in context of the present Adjudication proceeding. Vide the said email/letter, the son of the Noticee *inter alia* submitted that "*I regret to inform your good self that my father Late Anandi Lal Banka expired on August 5, 2015. A copy of death certificate is annexed herewith and marked as Exhibit 1*". and requested that, "*in the current case the penalty has not been imposed during his lifetime and therefore the proceeding against my Late father Anandi Lal Banka may kindly be aborted.*"

8. The Death Certificate No. 2001018519/DC/2015 dated August 07, 2015, provided by the son of the Noticee is issued by the Bidhannagar Municipal Corporation, Government of West Bengal, which had mentioned that Shri Anandi Lal Banka had passed away on August 05, 2015.

9. In view of the above, since the proceedings are against the acts of omission and commission of a person who is no more to face the charges, the present proceedings against him cannot be continued. 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."

ORDER

10. In view of the foregoing, I am of the view that the instant adjudication proceedings against the Noticee viz. Late Shri Anandi Lal Banka is liable to be abated without going into the merits of the case qua him. Hence, The Adjudication Proceedings against the Noticee stands abated. Therefore, the SCN bearing reference number SEBI/HO/EAD1/SBM/AK/4594/2022 dated February 02, 2022 issued against him is disposed of accordingly.

11. In terms of rule 6 of the Adjudication Rules, 1995, copy of this order is sent to the Son of Late Shri Anandi Lal Banka viz. Shri Sushil Kumar Banka and also to SEBI.

Date: May 31, 2022
Place: Mumbai

SURESH B MENON
ADJUDICATING OFFICER