

**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER Ref. No. ORDER/NH/RJ/2024-25/30635-30641]**

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

In respect of:

Noticee Nos.	Name of the Noticee	PAN
1.	Mr. Bhanu Katoch	ALJPK1911G
2.	Ms. Swarn Lata Katoch	AUAPK6995J
3.	Ms. Sharika Kher	ABQPK4927R
4.	Mr. Deepen Doshi	AABPD7459H
5.	Ms. Aruna Doshi	AABPD7458G
6.	JM Financial Asset Management Ltd.	AAACJ2578F
7.	JM Financial Trustee Company Pvt. Ltd.	AAACJ2579E

*(The Noticees are individually referred to by their respective Noticee No. as mentioned above and collectively referred to as ‘**Noticees**’)*

In the matter of JM Financial Mutual Fund

A. FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) was in receipt of a news article dated July 09, 2020 mentioning an unusual jump in the Net Asset Value (hereinafter referred to as “**NAV**”) of a few Debt Funds including JM Low Duration Fund whose NAV had risen by an astounding 19.9%. It was observed that the unusual jump in NAV was largely due to the sale of the securities of the defaulted Dewan Housing Finance Corporation Ltd. (hereinafter referred to

as “**DHFL**”) which had matured in the year 2019. It was observed that SEBI vide Circular dated June 23, 2020 (hereinafter referred to as “**SEBI Circular**”) had allowed transactions in matured downgraded securities, which paved the way for the sale of defaulted securities. Since the defaulted securities carried a ‘Nil’ valuation in the schemes, the entire sale value qualified as a gain for the fund and hence, there was a jump in the NAVs of the schemes. In this background, JM Financial Mutual Fund /JM Financial Asset Management Limited (hereinafter referred to as “**JMMF**”/ “**AMC**”) was asked to provide necessary details regarding its schemes.

2. During the examination, it is observed that the following schemes of JMMF (hereinafter all six schemes are referred to as “**relevant schemes**”) were holding defaulted Securities of DHFL (hereinafter referred to as “**defaulted securities**”) on June 23, 2020. The said defaulted securities were sold by JMMF on July 06, 2020 to A.K. Capital fetching a total of Rs. 11.18 crores. The relevant detail in this regard is tabulated below:

Table 1

Scheme Name	ISIN	Amount realized (Rs.)
JM Low Duration Fund	INE202B07IK1	6,37,47,375.00
JM Ultra Short Duration Fund	INE202B07IK1	1,11,83,750.02
JM Short Term Fund	INE202B07IK1	78,28,625.00
JM Income Fund	INE202B07IK1	67,10,250.00
JM Large Cap Fund	INE202B07HQ0	1,12,38,749.97
JM Equity Hybrid Fund	INE202B07IJ3	1,11,56,392.50

3. As a result of the aforesaid sale transactions of defaulted securities, the relevant schemes of JMMF witnessed an unusual increase in their NAV. The relevant detail in this regard is detailed below:

Table 2

Sr. No.	Name of Scheme holding DHFL securities	NAV of Direct Growth option on July 3, 2020 (Friday)	NAV of Direct Growth option on July 6, 2020 (Monday)	Increase in NAV in %
1	JM Low Duration Fund	23.9273	28.6762	19.85%
2	JM Equity Hybrid Fund	40.3193	48.1192	19.35%
3	JM Ultra Short Duration Fund	26.4045	27.4059	3.79%
4	JM Short Term Fund	26.1259	26.844	2.75%
5	JM Income Fund	52.173	53.241	2.05%
6	JM Large Cap Fund	72.427	73.28	1.18%

4. In this regard, it was observed that the following investors had subscribed for more than Rs. 2 lakhs in the relevant schemes in the period from June 23, 2020 to July 03, 2020:

Table 3

Sr. No.	Name of the Scheme	No. of investors	Name of investors and their relation with AMC/JMMF ¹
1	JM Low Duration Fund	4	1) Bhanu Katoch, CEO (Noticee No.1) 2) Swarn Lata Katoch, Mother of CEO (Noticee No.2) 3) Deepen Doshi, Employee of AMC (Noticee No.4) 4) Aruna Doshi, Mother of Employee of AMC (Noticee No.5)
2	JM Equity Hybrid Fund	2	1) Bhanu Katoch CEO (Noticee No.1) 2) XYZ
3	JM Ultra Short Duration Fund	4	1) Bhanu Katoch CEO (Noticee No.1) 2) Swarn Lata Katoch, Mother of CEO (Noticee No.2) 3) XYZ 4) Sharika Kher, Wife of CEO (Noticee No.3)
4	JM Short Term Fund	3	1) XYZ 2) Bhanu Katoch, CEO (Noticee No.1)

¹ Some names excised for confidentiality.

Sr. No.	Name of the Scheme	No. of investors	Name of investors and their relation with AMC/JMMF ¹
			3) Swarn Lata Katoch, Mother of CEO (Noticee No.2)
5	JM Income Fund	3	1) XYZ 2) Bhanu Katoch, CEO (Noticee No.1) 3) Swarn Lata Katoch, Mother of CEO (Noticee No.2)

5. In this background, it was alleged that Noticee Nos. 1 to 5 had subscribed to the units of the relevant schemes holding defaulted securities of DHFL prior to the change in valuation of the defaulted securities based on unpublished information, which amounted to an act of unfair trade practice. It was further alleged that investment by Noticee Nos. 1 to 5 in the relevant schemes before the sale of the defaulted securities and before communicating the same to unit holders was in violation of the SEBI Circular dated November 17, 2016 and Policy of AMC on Trading/Investment by employees of the AMC. Hence, Noticee Nos. 1 to 5 were alleged to have violated the provisions of Regulations 3(a), 4(1) and 4(2)(q) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**") read with Section 12A(e) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**") and Clause E(3)(d) of SEBI Circular dated November 17, 2016.
6. It was, further, alleged that Noticee No. 6 cleared the investment proposals of the employees and their relatives i.e. Noticee Nos. 1 to 5 for investment in the schemes when there was a likelihood of a significant change in the valuation of the defaulted securities and the said information was not communicated to unit holders. Hence, Noticee No. 6 was alleged to have acted in contravention of the SEBI Circular dated November 17, 2016 (hereinafter referred to as "**2016 Circular** ").
7. It was also alleged that by failing to disclose to investors about the change in valuation of defaulted securities/sale of securities of DHFL, the Noticee Nos. 6 and

7 had not provided adequate and timely information to investors about the general affairs of the scheme and were therefore alleged to have violated the provisions of Clause 2 of Fifth Schedule to the SEBI (Mutual Fund) Regulations, 1996 (hereinafter referred to as “**MF Regulations**”).

B. APPOINTMENT OF ADJUDICATING OFFICER

8. SEBI had appointed Shri Sahil Malik (hereinafter referred to as ‘**erstwhile AO**’) as the Adjudicating Officer under Section 19 of SEBI Act read with Section 15-I of SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties), 1995 (hereinafter referred to as ‘**Adjudication Rules**’), vide communique dated October 06, 2022. Subsequently, the undersigned was appointed as the AO vide communique dated May 28, 2024 to inquire into and adjudge the aforesaid alleged violations committed by the Noticees.

C. RELATIONSHIP AMONGST THE NOTICEES

9. The relationship between the Noticee Nos. 1 to 5 is tabulated below:

Table 4

Noticee Name	Details
Noticee No. 1	CEO of Noticee No. 6
Noticee No. 2	Mother of Noticee No. 1
Noticee No. 3	Wife of Noticee No. 1
Noticee No. 4	Head of Institutional Sales of Noticee No. 6 and access person
Noticee No. 5	Mother of Noticee No. 4

D. SHOW CAUSE NOTICE AND REPLY

10. Show Cause Notice ref no. SEBI/EAD-1/SM/YK/57762/1-7/2022 dated November 15, 2022 (hereinafter referred to as ‘**SCN/Notice**’) was issued by the erstwhile AO

to the Noticees in terms of Rule 4(1) of the Adjudication Rules read with Section 15-I of the SEBI Act to show cause as to why an inquiry should not be held against the Noticees and why penalty be not imposed on it in terms of the provisions of the Section 15HA, 15HB, 15E and 15D(b) of the SEBI Act for the violations alleged to have been committed by the Noticees. The SCN, *inter-alia*, alleged the following:

Allegations against Noticee No. 1

- 6.1. *It is observed from email from JMMF dated April 21, 2022 and Examination report that Noticee No. 1 have invested in following schemes before aforesaid sale of defaulted securities of DHFL:*

Scheme	Transaction Type	NAV Date	Amt.	No. of Units	NAV
JM Ultra Short Duration Fund	Switch in	29/06/2020	12,00,00,000	45,48,159.322	26.3843
JM Short Term Fund	Switch in	29/06/2020	1,00,00,000	3,83,631.223	26.0667
JM Low Duration Fund	Switch in	29/06/2020	1,00,00,000	4,18,611.466	23.8885
JM Income Fund	Switch in	29/06/2020	1,00,00,000	1,92,226.735	52.0219
JM Equity Hybrid Fund	Switch in	29/06/2020	1,00,00,000	2,52,306.078	39.6344
JM Low Duration Fund	Additional Purchase	02/07/2020	7,99,960	33,447.199	23.9171
Total			16,07,99,960		

- 6.2. *It is also observed in the email that defaulted securities were valued at zero from October 29, 2019 and post SEBI circular concerned authorities activated ISIN of defaulted securities of DHFL for trading with effect from July 3, 2020. With the above development, the concerned fund management team of JMMF again commenced engaging with the potential buyers with effect from June 29, 2020, the fact of which was known to then CEO, i.e, Noticee No. 1.*
- 6.3. *Further, it is observed from email dated June 29, 2020 from Mr. Vikas Agrawal, Senior VP, Debt, of AMC about update on sale of defaulted securities of DHFL, that Noticee No. 1 was also observed to be in Copied of the aforesaid email.*
- 6.4. *The said email from Mr. Vikas Agrawal broadly mentioned the following:*
- 6.4.1. *SEBI has come out with operational guidelines for trading in securities of defaulted issuer including NCDs which got matured;*

6.4.2. Earlier negotiations were done with Deutsche Bank for sale of the defaulted securities at a price of Rs.26/- and they tried to reinstate discussion with Deutsche Bank but so far there is no response from them. Deutsche Bank has indicated that they need to revisit their investment committee as everything has changed due to Covid and will come back if they get approval.

6.4.3. They are re-engaging with all potential buyers and trying to get a reasonable bid price in the range of Rs.20/- to Rs.24/-. In the current scenario a bid in the range of Rs.20/- to Rs.24/- would be reasonable.

6.4.4. If they are unable to get bid in this range they will again consult/seek guidance on pricing.

6.4.5. It is observed from aforesaid email communication that the discussion about sale of defaulted securities was going on and Noticee No. 1 being CEO of AMC was allegedly aware of such development.

6.5. Vide email dated May 13, 2022, KFIN Technologies Pvt. Ltd (Registrar of JMMF) shared details of investment by Noticee No. 1 over last 5 years is as under:

Scheme Name	Value of Holding as on (In Rs.) in crore							
	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	June 23, 2020	July 06, 2020	March 31, 2021	March 31, 2022
JM Dynamic Bond Fund	8.76	-	27.38	18.82	-	1.01	-	-
JM Flexicap Fund	-	-	-	0.17	0.20	-	-	-
JM Focused Fund	-	-	-	0.01	0.01	-	-	-
JM Liquid Fund	-	-	-	-	18.54	1.97	0.49	-
JM Income Fund*	-	-	-	-	1.10	2.16	2.18	2.27
JM Equity Hybrid Fund	3.15	21.85	-	-	0.39	1.68	-	-
JM Low Duration Fund	-	-	-	-	3.23	5.18	20.90	21.71
JM Short Term Fund	-	-	-	-	1.10	2.17	-	-
JM Ultra Short Duration Fund	-	-	-	-	-	12.46	-	-
Total	11.91	21.85	27.38	19.00	24.59	26.63	23.57	23.98

**JM Income Fund has been renamed as JM Medium to Long Duration Fund w.e.f. March 23, 2022.*

- 6.6. *It is observed from the above holdings information on those specific dates that Noticee No. 1 did not have any investments in JM Income Fund, JM Equity Hybrid Fund, JM Low Duration Fund, JM Short Term Fund and JM Ultra Short Duration Fund as of March 31, 2019 and March 31, 2020. However, he had certain holdings amounting to INR 5.82 crore in those schemes as on June 23, 2020 and his holdings in those schemes were increased to INR 23.65 crore by July 06, 2020. The holding value in those schemes where DHFL defaulted securities were held was increased by 306% from June 23, 2020 (INR 5.82 crore) to July 06, 2020 (INR 23.65 crore), which raises a strong suspicion about his transactions in those schemes.*
- 6.7. *From the aforesaid, email communication from Vikas Agrawal and Noticee No. 1's investment pattern while being CEO of AMC, it is alleged that Noticee No. 1 possessed unpublished information regarding impending sale of defaulted securities in the relevant schemes and on the basis of the said information he had traded in the units of the schemes mentioned above. It is observed from the aforesaid that defaulted securities of DHFL were sold by JMMF on July 06, 2020. All the above Switch in/purchase transactions of Noticee No. 1 was observed to have been made before the date of sale of defaulted securities by the schemes. After the sale transactions, the NAV of the Schemes increased. Hence, it is alleged that Noticee No. 1 who had purchased (Switch in/Additional purchase) units of these schemes (where defaulted securities of DHFL was held) just few days before the sale of these defaulted securities had made notional gain of Rs. 91.50 Lacs. The detail of calculation of notional gain is given as under:*

Name of Scheme	No. of Units (Refer table above) (A)	NAV on July 03, 2020 (B)	NAV on July 06, 2020 (C)	Increase in Investments D= A*(C-B)
JM Ultra Short Duration Fund	45,48,159.322	26.4045	27.4059	45,54,527
JM Low Duration Fund	4,18,611.466	23.9273	28.6762	19,87,944

Name of Scheme	No. of Units (Refer table above) (A)	NAV on July 03, 2020 (B)	NAV on July 06, 2020 (C)	Increase in Investments D= A*(C-B)
JM Low Duration Fund	33,447.199	23.9273	28.6762	1,58,837
JM Equity Hybrid Fund	2,52,306.078	40.3193	48.1192	19,67,962
JM Short Term Fund	3,83,631.223	26.1259	26.844	2,75,486
JM Income Fund	1,92,226.735	52.173	53.241	2,05,298
Total				91,50,054

- 6.8. *It is alleged that the act of subscribing to the units of schemes holding defaulted securities prior to change in valuation of the defaulted securities held by the schemes based on unpublished information amounts to an act of unfair trade practice on the investors and hence Noticee No. 1 alleged to have violated Regulations 3(a) and 4(1) of PFUTP Regulations read with Section 12A(e) of SEBI Act.*
- 6.9. *SEBI vide Circular dated November 17, 2016 mandated that the AMC to have a policy on trading/investment by employee. The said SEBI Circular provided minimum requirements for the said policy. Clause- E(3)(d) of the Annexure to said Circular prohibits an employee/relatives to sell/purchase units of any scheme when there is a likelihood of a change in the accounting policy, or a significant change in the valuation of any asset, or class of assets and the same has not been communicated to the investors. JMFAML had provided a copy of their Policy framed under said SEBI Circular. Clause-9.4 of the policy provided by AMC, a similar provision was observed.*
- 6.10. *It is observed that JMMF vide its email dated May 13, 2022 confirmed that the details about sale of defaulted securities were not communicated to investors. The defaulted securities were carrying zero valuation and any price fetched for sale of Defaulted securities of DHFL was to affect the valuation of the same. In fact, after sale of the defaulted securities, the NAV of the schemes holding the same increased in the range of 19.85% to 1.18%. Hence, it is alleged that investment by Noticee No. 1 in the relevant schemes before sale of the defaulted securities and before communicating the same to unit holders is in*

violation of the SEBI Circular dated November 17, 2016 and Policy of AMC on Trading/Investment by employees of the AMC.

Allegations against Noticee No. 2

6.11. Noticee No. 1 vide email dated May 02, 2022 confirmed that Ms. Swarn Lata Katoch is his mother. It is observed from email from JMMF dated April 21, 2022 and Examination report that Noticee No. 2 had invested in following schemes before aforesaid sale of defaulted securities of DHFL:

Scheme	Transaction Type	NAV Date	Amount	No. of Units	NAV
JM Ultra Short Duration Fund	Switch in	30/06/2020	30,00,000	1,13,688.902	26.3878
JM Short Term Fund	Switch in	30/06/2020	25,00,000	95,830.235	26.0878
JM Low Duration Fund	Switch in	30/06/2020	19,00,000	79,523.196	23.8924
JM Income Fund	Switch in	30/06/2020	10,00,000	19,201.192	52.0801
Total			84,00,000		

6.12. Vide email dated May 13, 2022, KFIN Technologies Pvt. Ltd. shared details of investment by Noticee No. 2 over last 5 years is as under:

Scheme Name	Value of Holding as on (In INR) in crore							
	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	June 23, 2020	July 06, 2020	March 31, 2021	March 31, 2022
JM Dynamic Bond Fund	0.28	-	2.36	1.56	-	-	-	-
JM Liquid Fund	-	-	-	-	1.73	0.89	-	-
JM Equity Hybrid Fund	0.12	2.09	-	-	-	-	-	-
JM Income Fund*	-	-	-	-	-	0.10	0.10	0.11
JM Low Duration Fund	-	-	-	-	-	0.23	0.82	0.85
JM Short Term Fund	-	-	-	-	-	0.26	-	-
JM Ultra Short Duration Fund	-	-	-	-	-	0.31	-	-

Scheme Name	Value of Holding as on (In INR) in crore							
	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	June 23, 2020	July 06, 2020	March 31, 2021	March 31, 2022
Total	0.39	2.09	2.36	1.56	1.73	1.79	0.92	0.96

* JM Income Fund has been renamed as JM Medium to Long Duration Fund w.e.f. March 23, 2022.

6.13. It is observed from the above holdings information on those specific dates that Noticee No. 2 did not have any investments in JM Income Fund, JM Low Duration Fund, JM Short Term Fund and JM Ultra Short Duration Fund as of March 31, 2017, March 31, 2018, March 31, 2019 and March 31, 2020. However, she had certain holdings amounting to INR 0.90 crore in those schemes by July 06, 2020, which is approx. 50% of entire holdings of schemes of JMMF as on July 06, 2020. The sudden investments in those schemes where DHFL defaulted securities held raises a strong suspicion about her transactions in those schemes.

6.14. From the aforesaid, it is alleged that Noticee No. 2 had made notional gain of Rs. 5.80 Lacs. The detail of calculation of notional gain is given as under:

Scheme	No. of Units (Refer table above) (A)	NAV on July 03, 2020 (B)	NAV on July 06, 2020 (C)	Increase in Investments $D = A*(C-B)$
JM Ultra Short Duration Fund	1,13,688.902	26.4045	27.4059	1,13,848
JM Short Term Fund	95,830.235	26.1259	26.844	68,816
JM Low Duration Fund	79,523.196	23.9273	28.6762	3,77,648
JM Income Fund	19,201.192	52.173	53.241	20,507
Total				5,80,819

6.15. It is observed from email from Noticee No. 1 dated May 13, 2022 wherein he had stated about investment by his mother that “she wanted to invest back into slightly better returning funds with minimal risk and minimal volatility or good Fixed Deposit. In June she also spoke with me and I explained to her that the

portfolios of these funds are good and therefore the chance of default/losing money is very minimal. I also explained to her that the volatility will be low since maturity in these schemes was lower than Dynamic Fund where she had suffered some losses in March 2020. Her decision to reinvest was relatively easier because she had in the past invested in all these schemes and had not suffered losses. Stamp Duty on MF units was also applicable from 1st of July 2020. Therefore, in the normal course of investing she switched around approx 84 Lacs out of her approx 1.75 cr from JM Liquid fund scheme. This was a partial switch out of Liquid Fund into various debt schemes of JM Financial Mutual Fund.”

- 6.16. *Noticee No. 1 being CEO of AMC of JMMF possessed unpublished information about impending sale of defaulted securities which carried Nil valuation in the said schemes. Further, from the aforesaid, it is alleged that while CEO was in possession of said information, he admitted that he had explained to his mother about the portfolio of the schemes and she suddenly subscribed in the relevant schemes in which defaulted securities were held. Hence, it is alleged that Noticee No. 2 being mother of Noticee No. 1 got information from Noticee No. 1 about the negotiation for sale of defaulted securities and based on that information subscribed in the schemes holding such defaulted securities to make unlawful gain.*
- 6.17. *It is alleged that the act of subscribing to the units of schemes holding defaulted securities prior to change in valuation of the defaulted securities held by the schemes based on unpublished information amounts to an act of unfair trade practice on the investors and hence Noticee No. 2 had violated Regulations - 3(a) and 4(1) of PFUTP Regulations read with Section 12A(e) of SEBI Act.*
- 6.18. *SEBI vide Circular dated November 17, 2016 mandated that the AMC to have a policy on trading/investment by employees. The said SEBI Circular provided minimum requirements for the said policy. Clause- E(3)(d) of the Annexure to said Circular prohibits an employee/relatives to sell/purchase units of any scheme when there is a likelihood of a change in the accounting policy, or a significant change in the valuation of any asset, or class of assets and the same has not been communicated to the investors. AMC had provided a copy of their Policy framed under said SEBI Circular. Clause-9.4 of the policy provided by*

AMC, a similar provision was observed. The aforesaid SEBI Circular is also applicable to the parents of employee if they are either dependent financially on such employee, or consults such employee in taking decisions relating to trading in securities.

- 6.19. It is observed from email from Noticee No. 1 dated May 13, 2022 wherein he had mentioned that he had advised his mother about the portfolio of the schemes of JM and other aspects. Hence, it is alleged that Noticee No. 2 used to consult Noticee No. 1 in taking decisions relating to trading in securities. Hence, being mother of Noticee No. 1, the provisions of aforesaid SEBI circular would apply to investment by Noticee No. 2 also. Hence, it is alleged that investment by Noticee No. 2 in the relevant schemes before sale of the defaulted securities and before communicating the same to unit holders is in violation of the SEBI Circular dated November 17, 2016 and Policy of AMC on Trading/Investment by employees of the AMC.

Allegations against Noticee No. 3

- 6.20. Noticee No. 1 vide email dated May 02, 2022 confirmed that Ms. Sharika Kher is his spouse. It is observed from email from JMMF dated April 21, 2022 and Examination report that Noticee No. 3 had invested in following schemes before aforesaid sale of defaulted securities of DHFL:

Scheme	Transaction type	NAV Date	Amount	No. of units	NAV
JM Ultra Short Duration Fund	Switch in	02/07/2020	7,99,960	30301.9740	26.3996

It is also observed that the request of switch in came from the email id of Noticee 1.

- 6.21. Vide email dated May 13, 2022, KFIN Technologies Pvt. Ltd. shared details of investment by Noticee No. 3 over last 5 years is as under:

Scheme Name	Value of Holding as on (In INR) in crore							
	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	June 23, 2020	July 06, 2020	March 31, 2021	March 31, 2022
JM Dynamic Bond Fund	1.33	-	0.07	0.52	-	-	-	-
JM Liquid Fund	-	-	-	-	0.58	0.58	-	-

JM Equity Hybrid Fund	0.18	1.24	0.03	0.02	0.02	0.03	0.04	0.04
JM Low Duration Fund	-	-	-	-	-	-	0.09	0.09
JM Ultra Short Duration Fund	-	-	-	-	-	0.08	-	-
Total	1.51	1.24	0.10	0.54	0.61	0.69	0.12	0.13

6.22. It is observed from the above holdings information on those specific dates that Noticee No. 3 did not have any investments in JM Ultra Short Duration Fund as of March 31, 2017, March 31, 2018, March 31, 2019 and March 31, 2020. However, she had certain holdings amounting to INR 0.08 crore in those schemes by July 06, 2020. The sudden investments in those schemes where DHFL defaulted securities held raises a strong suspicion about her transactions in those schemes.

6.23. From the aforesaid, it is alleged that Noticee No. 3 had made notional gain of Rs. 0.30 Lacs. The detail of calculation of notional gain is given as under:

Scheme	No. of Units (Refer table above) (A)	NAV on July 03, 2020 (B)	NAV on July 06, 2020 (C)	Increase in Investments D= A*(C-B)
JM Ultra Short Duration Fund	30301.9740	26.4045	27.4059	30,344

6.24. Noticee No. 1 being CEO of AMC of JMMF possessed unpublished information about impending sale of defaulted securities which carried Nil valuation in the said schemes. Further, from the aforesaid, it is observed that request for switch in of units by Noticee No. 3 in relevant scheme also came from email id of Noticee No. 1. Hence, it is alleged that Noticee No. 3 being spouse of Noticee No. 1 got information from Noticee No. 1 about the negotiation for sale of defaulted securities and based on that information subscribed in the schemes holding such defaulted securities to make unlawful gain.

6.25. It is alleged that the act of subscribing to the units of schemes holding defaulted securities prior to change in valuation of the defaulted securities held by the schemes based on unpublished information amounts to an act of unfair trade practice on the investors and hence Noticee No. 3 had violated Regulations - 3(a) and 4(1) of PFUTP Regulations read with Section 12A(e) of SEBI Act.

- 6.26. *SEBI vide Circular dated November 17, 2016 mandated that the AMC to have a policy on trading/investment by employee. The said SEBI Circular provided minimum requirements for the said policy. Clause- E(3)(d) of the Annexure to said Circular prohibits an employee/relatives to sell/purchase units of any scheme when there is a likelihood of a change in the accounting policy, or a significant change in the valuation of any asset, or class of assets and the same has not been communicated to the investors. AMC had provided a copy of their Policy framed under said SEBI Circular. Clause-9.4 of the policy provided by AMC, a similar provision was observed. The aforesaid SEBI Circular is also applicable to the parents of employee if they are either dependent financially on such employee, or consults such employee in taking decisions relating to trading in securities.*
- 6.27. *From the aforesaid, it is observed that switch in request of units by Noticee No. 3 in relevant scheme came from email id of Noticee No. 1. Hence, it is alleged that Noticee No. 1 managed the investments of Noticee No. 3 or Noticee No. 3 consults Noticee No. 1 in taking decisions relating to trading in securities. Hence, being spouse of Noticee No. 1, the provisions of aforesaid SEBI circular would apply to investment by Noticee No. 3 also. Hence, it is alleged that investment by Noticee No. 3 in the relevant schemes before sale of the defaulted securities and before communicating the same to unit holders is in violation of the SEBI Circular dated November 17, 2016 and Policy of AMC on Trading/Investment by employees of the AMC.*

Allegations against Noticee No. 4

- 6.28. *It is observed from Correspondence from JMMF that Mr. Deepen Doshi was head of Institutional Sales of AMC and was an access person reporting to the CEO. It is further observed from email from JMMF dated April 21, 2022 and Examination report that Noticee No. 4 have invested in following schemes before aforesaid sale of defaulted securities of DHFL:*

Scheme	Transaction Type	NAV Date	Amount	No. of Units	NAV
JM Low Duration Fund	Switch in	29/06/2020	15,00,371.71	62807.280	23.8885
JM Low Duration Fund	Switch in	30/06/2020	22,50,182.50	94179.124	23.8924
Total			37,50,554		

6.29. Vide email dated May 13, 2022, KFIN Technologies Pvt. Ltd. shared details of investment by Noticee No. 4 over last 5 years is as under:

Scheme Name	Value of Holding as on (In INR) in crore							
	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	June 23, 2020	July 06, 2020	March 31, 2021	March 31, 2022
JM Dynamic Bond Fund	0.03	0.04	-	-	-	0.02	-	-
JM Flexicap Fund	-	-	-	0.02	-	-	-	-
JM Focused Fund	0.02	-	0.01	0.01	-	-	-	-
JM Liquid Fund	0.05	-	0.19	0.00	0.00	0.00	0.00	-
JM Overnight Fund	-	-	-	-	-	-	-	0.00
JM Equity Hybrid Fund	0.03	0.19	-	-	-	-	-	-
JM Low Duration Fund	-	-	-	-	-	0.45	-	-
Total	0.13	0.23	0.20	0.02	0.00	0.47	0.00	0.00

6.30. It is observed from the above holdings information on those specific dates that Noticee No. 4 did not have any investments in JM Low Duration Fund as of March 31, 2017, March 31, 2018, March 31, 2019 and March 31, 2020. However, he had certain holdings amounting to INR 0.47 crore in those schemes by July 06, 2020. The sudden investments in those schemes where DHFL defaulted securities held raises a strong suspicion about his transactions in those schemes.

6.31. From the aforesaid, it is alleged that Noticee No. 4 had made notional gain of Rs. 7.45 Lacs. The detail of calculation of notional gain is given as under:

Scheme	No. of Units (Refer table above) (A)	NAV on July 03, 2020 (B)	NAV on July 06, 2020 (C)	Increase in Investments D= A*(C-B)
JM Low Duration Fund	62807.280	23.9273	28.6762	2,98,265
JM Low Duration Fund	94179.124	23.9273	28.6762	4,47,247
Total				7,45,512

6.32. Hence, it is alleged that being an access person reporting to CEO, the sudden action of subscription by Noticee No. 4 was based on the information of sale of defaulted securities of DHFL and the act of subscribing to the units of schemes holding defaulted securities prior to change in valuation of the defaulted securities held by the schemes based on unpublished information amounts to an act of unfair trade practice on the investors and hence Noticee No. 4 had violated Regulations -3(a) and 4(1) of PFUTP Regulations read with Section 12A(e) of SEBI Act.

6.33. SEBI vide Circular dated November 17, 2016 mandated that the AMC to have a policy on trading/investment by employee. The said SEBI Circular provided minimum requirements for the said policy. Clause- E(3)(d) of the Annexure to said Circular prohibits an employee/relatives to sell/purchase units of any scheme when there is a likelihood of a change in the accounting policy, or a significant change in the valuation of any asset, or class of assets and the same has not been communicated to the investors. AMC had provided a copy of their Policy framed under said SEBI Circular. Clause-9.4 of the policy provided by AMC, a similar provision was observed. Hence, it is alleged that investment by Noticee No. 4 in the relevant schemes before sale of the defaulted securities and before communicating the same to unit holders is in violation of the SEBI Circular dated November 17, 2016 and Policy of AMC on Trading/Investment by employees of the AMC.

Allegations against Noticee No. 5

6.34. It is observed from email from Aruna Doshi dated May 9, 2022 that Aruna Doshi is mother of Noticee No. 4. It is further observed from email from JMMF dated

April 21, 2022 and Examination report that Noticee No. 5 have invested in following schemes before aforesaid sale of defaulted securities of DHFL:

Scheme	Transaction type	NAV Date	Amount	No. of units	NAV
JM Low Duration Fund	Switch in	29/06/2020	10,00,000	30301.97	26.3996

6.35. It is also observed that request of switch in came from the email id of Noticee No. 4 who was an access person.

6.36. Vide email dated May 13, 2022, KFIN Technologies Pvt. Ltd. shared details of investment by Noticee No. 5 over last 5 years is as under:

Scheme Name	Value of Holding as on (In INR) in crore							
	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	June 23, 2020	July 06, 2020	March 31, 2021	March 31, 2022
JM Dynamic Bond Fund	0.07	0.02	0.11	0.11	0.11	0.02	0.02	0.02
JM Low Duration Fund	-	0.08	-	-	-	0.12	0.12	0.13
Total	0.07	0.10	0.11	0.11	0.11	0.14	0.14	0.14

6.37. It is observed from the above holdings information on those specific dates that Noticee No. 5 did not have any investments in JM Low Duration Fund as of March 31, 2019 and March 31, 2020. However, she had certain holdings amounting to INR 0.12 crore in those schemes by July 06, 2020. The sudden investments in those schemes where DHFL defaulted securities held raises a strong suspicion about her transactions in those schemes.

6.38. From the aforesaid, it is alleged that Noticee No. 5 had made notional gain of Rs. 1.98 Lacs. The detail of calculation of notional gain is given as under:

Scheme	No. of Units (Refer table above) (A)	NAV on July 03, 2020 (B)	NAV on July 06, 2020 (C)	Increase in Investments D= A*(C-B)
JM Low Duration Fund	41861.147	23.9273	28.6762	1,98,794

- 6.39. From the aforesaid, it is observed that Noticee No. 4 possessed unpublished information about impending sale of defaulted securities which carried Nil valuation in the said schemes. Further, from the aforesaid, it is also observed that request of switch in came from the email id of Noticee No. 4. Hence, it is alleged that Noticee No. 5 being mother of Noticee No. 4 got information from Noticee No. 4 about the negotiation for sale of defaulted securities and based on that information subscribed in the schemes holding such defaulted securities to make unlawful gain.
- 6.40. It is alleged that the act of subscribing to the units of schemes holding defaulted securities prior to change in valuation of the defaulted securities held by the schemes based on unpublished information amounts to an act of unfair trade practice on the investors and hence Noticee No. 5 had violated Regulations - 3(a) and 4(1) of PFUTP Regulations read with Section 12A(e) of SEBI Act.
- 6.41. SEBI vide Circular dated November 17, 2016 mandated that the AMC to have a policy on trading/investment by employee. The said SEBI Circular provided minimum requirements for the said policy. Clause- E(3)(d) of the Annexure to said Circular prohibits an employee/relatives to sell/purchase units of any scheme when there is a likelihood of a change in the accounting policy, or a significant change in the valuation of any asset, or class of assets and the same has not been communicated to the investors. AMC had provided a copy of their Policy framed under said SEBI Circular. Clause-9.4 of the policy provided by AMC, a similar provision was observed. The aforesaid SEBI Circular is also applicable to the parents of employee if they are either dependent financially on such employee, or consults such employee in taking decisions relating to trading in securities.
- 6.42. From the aforesaid, it is observed that switch in request of units by Noticee No. 5 in relevant scheme came from email id of Noticee No. 4. Hence, it is alleged that Noticee No. 4 managed the investments of Noticee No. 5 or Noticee No. 5

consults Noticee No. 4 in taking decisions relating to trading in securities. Hence, being mother of Noticee No. 4, the provisions of aforesaid SEBI circular would apply to investment by Noticee No. 5 also. Hence, it is alleged that investment by Noticee No. 5 in the relevant schemes before sale of the defaulted securities and before communicating the same to unit holders is in violation of the SEBI Circular dated November 17, 2016 and Policy of AMC on Trading/Investment by employees of the AMC.

- 6.43. Therefore, from the aforesaid it is alleged that Noticees No. 1 to 5 have violated provisions of Regulation 3(a) and 4(1) and 4(2)(q) of PFUTP Regulations read with Section 12A(e) of SEBI Act and Clause E(3)(d) of SEBI Circular dated November 17, 2016.

Allegations against Noticee Nos. 6 and 7

- 6.44. Role of AMC and Trustee Company in the sale transactions of defaulted securities of DHFL are as under:

- 6.44.1. SEBI vide Circular dated November 17, 2016 mandated the AMC to have a policy on trading/investment by employee ("Policy"). The said SEBI Circular provided minimum requirements for the policy to be prescribed by AMCs for trading/investment by employee of AMC. The provisions of said Policy prescribed under aforesaid SEBI Circular are also applicable to investment in the name of employees/Spouse/Employees' parents who are either dependent financially on such employee or consult such employee in taking decisions relating to trading in securities.
- 6.44.2. Clause- E(3)(d) of the Annexure to said Circular prohibits an employee/relatives to sell/purchase units of any scheme when there is a likelihood of a change in the accounting policy, or a significant change in the valuation of any asset, or class of assets and the same had not been communicated to the investors. AMC had provided a copy of their Policy framed under said SEBI Circular. Clause-9.4 of the policy provided by AMC, a similar provision was observed.
- 6.44.3. It is observed that AMC has cleared following trades during the period from the date of the SEBI Circular dated June 23, 2020 to July 06, 2020 (i.e. during the time when transactions in defaulted matured securities were allowed till the time of execution of sale transactions and thereby

having change in valuations of the asset of the schemes holding such defaulted securities):

Sr. No.	Name of the employee/relative who requested for transactions	Date of request	Date of approval	Value of the transactions (Rs. in crore)	Name of the scheme in which transaction is proposed
1.	Bhanu Katoch	26.06.2020	26.06.2020	12.00	JM Ultra Short Duration Fund-Direct - Growth
2.	Bhanu Katoch	26.06.2020	26.06.2020	1.00	JM Short Term Fund- Direct - Growth
3.	Bhanu Katoch	26.06.2020	26.06.2020	1.00	JM Low Duration Fund- Direct - Growth
4.	Bhanu Katoch	26.06.2020	26.06.2020	1.00	JM Income Fund-Direct - Growth
5.	Bhanu Katoch	26.06.2020	26.06.2020	1.00	JM Equity Hybrid Fund- Direct - Growth
6.	Bhanu Katoch	02.07.2020	Not dated	0.08	JM Low Duration the Fund- Direct-Growth
7.	Sharika Kher	02.07.2020	Not dated	0.08	JM Ultra Short Duration Fund-Direct - Growth
8	Deepen Doshi	26.06.2020	Not dated	0.15	JM Low Duration Fund- Direct - Growth
9	Deepen Doshi	29.06.2020	29.06.2020	0.22	JM Low Duration Fund- Direct - Growth
10	Aruna Doshi	26.06.2020	27.06.2020	0.10	JM Low Duration Fund- Direct - Growth

6.45. It is also observed that JMMF vide its email dated May 13, 2022 confirmed that “there was no disclosure/ communication to the unit holders regarding the sale of DHFL securities in July 2020. The daily disclosure of NAV on the AMC's

website as well as on AMFI's website on July 3rd, 2020 and July 6th, 2020 showed the difference in NAV due to the sale of DHFL securities.”

- 6.46. Hence, it is alleged that while AMC did not inform about the sale of defaulted securities to investors and at the same time the AMC cleared investment proposal of the employees for investment in the schemes which were holding the defaulted securities.
- 6.47. It is observed from email dated June 29, 2020 from Mr. Vikas Agrawal, Senior VP, Debt, of AMC about update on sale of defaulted securities of DHFL, that the Board of AMC had given approval for sale of the defaulted in securities in January-2020 and the discussion about the sale of defaulted securities was on with the Deutsche Bank. Further, the SEBI Circular dated June 23, 2020 allowed transactions in the matured defaulted securities. Since, the defaulted securities of DHFL carried Nil valuation in the schemes, an adequate and timely information about the general affairs of the schemes was required to be informed to the investors of the schemes in terms of Clause -2 of Schedule V to SEBI (Mutual Funds) Regulations, 1996 which requires that Trustees and AMC must ensure the dissemination to all unit holders of adequate, accurate, explicit and timely information fairly presented in a simple language about the investment policies, investment objectives, financial position and general affairs of the scheme. Hence, it is alleged that by failing to disclose to investors about the change in valuation of defaulted securities/sale of securities of DHFL, the AMC and Trustee had not provided adequate and timely information to investors about general affairs of the scheme and thereby violated the provisions of Clause -2 of Schedule V to SEBI (Mutual Funds) Regulations, 1996.
- 6.48. It is observed that AMC had failed to inform investors about the important information related to valuation of the securities and also failed to ensure that the employee would not invest in the schemes of mutual fund pending intimation to investors about the change in valuation of asset of the schemes. This aspect of disclosures and prohibition on employees being an important aspect in ensuring fairness to all the investors requires initiation of regulatory actions against AMC. Therefore, it is alleged that AMC by clearing all the

transactions by access persons after June 23, 2020, without informing the investors about change in valuation of the assets, has acted in contravention of the purpose of the policy and thereby violated the provisions of the SEBI Circular dated November 17, 2016.

6.49. *Therefore, from the aforesaid it is alleged that Noticee No. 6 have violated provisions of SEBI Circular dated November 17, 2016 and Clause 2 of Fifth Schedule to MF Regulations and Noticee No. 7 has violated provisions of Clause 2 of Fifth Schedule to MF Regulations.*

6.50. *You are, therefore, called upon to show cause as to why an inquiry should not be held against you in terms of Rule 4(1) of Rules read with Section 15-I of SEBI Act and why penalty be not imposed under:*

6.50.1. *Section 15HA and 15HB of the SEBI Act for the alleged contravention of Regulations 3(a) and 4(1) and 4(2)(q) of PFUTP Regulations read with Section 12A(e) of SEBI Act and Clause E(3)(d) of SEBI Circular dated November 17, 2016 by Noticee Nos 1 to 5;*

6.50.2. *Section 15E, 15D(b) and 15HB of the SEBI Act for the alleged contravention of SEBI Circular dated November 17, 2016 and Clause 2 of Fifth Schedule to MF Regulations by Noticee No. 6;*

6.50.3. *Section 15D(b) and 15HB of the SEBI Act for the aforesaid alleged contravention of Clause 2 of Fifth Schedule to MF Regulations by Noticee No. 7;”*

E. INSPECTION OF DOCUMENTS

11. Upon receipt of SCN dated November 15, 2022, Authorized Representatives (hereinafter referred to as ‘**ARs**’) of Noticee Nos. 1 to 5 vide letter dated November 28, 2022 sought inspection of documents. Vide email dated November 29, 2022, ARs of Noticee Nos. 1 to 5 were informed by the erstwhile AO that they could undertake the inspection of the relied upon documents on November 30, 2022. The ARs of Noticee Nos. 1 to 5 undertook the inspection of the documents on November 30, 2022.

F. REPLIES OF THE NOTICEES

12. Noticee Nos. 1 to 5 submitted replies to the SCN vide letters dated December 15, 2022 and December 21, 2022. Noticee No. 6 vide letters dated December 19, 2022, December 27, 2022, November 20, 2023 and July 05, 2024 submitted its responses to the SCN. While Noticee No. 7 submitted its reply to SCN on December 19, 2022.

13. The Noticees have, *inter alia*, submitted as under:

Noticee Nos. 1-3

- 8.1. *In exercise of the rights conferred upon it under law, Noticees sought inspection of and copies of all documents relevant to the matter vide its letter dated November 28, 2022 ("Inspection Letter") addressed to SEBI. However, inspection of only certain limited documents was granted to the Noticees on November 30, 2022.*
- 8.2. *The charge against the Noticees is that they have subscribed to the units of various schemes of JMMF based on unpublished information and thus, their act amounted to unfair trade practice on the investors. The alleged unpublished information as contended by SEBI in June 29, 2020 email of Mr. Vikas Agrawal. However, it is submitted that neither said email can be considered as an unpublished information nor the Noticees traded on the basis of the said email.*
- 8.3. *Noticee 1 switched his investments of INR 16 crore (i.e. 99.5% of his investments which are in question under the present SCN) between various mutuals funds of JMMF by placing a request for approval to the Chairman of the AMC on June 26, 2020 (Friday) at 8:58 A.M. and the same was approved by the Chairman of AMC on June 26, 2020 at 9:02 A.M.*
- 8.4. *It is stated that the SCN proceeds on the fundamentally erroneous basis that the switch-ins by Noticee 1 alleged in paragraph 5.1.1 of the SCN occurred on June 29, 2020. In fact, the switch-ins took place on June 26, 2020.*
- 8.5. *Noticee 1 sought approval of the Compliance Officer of the AMC on July 02, 2020 to purchase units worth INR 8 lakhs of one of the schemes of JMMF and the same was provided by the Compliance Officer. Pursuant to the said approval Noticee 1 purchased the units of INR 8 lakhs.*

- 8.6. Further, the SCN has mistakenly proceeded on the belief that the switch requests made by Noticee 1 were motivated by the profit due to the alleged unpublished information. However, Noticee 1 continues to hold more than 94 per cent of the investment made despite getting low annualized returns of approx. 5.86 per cent and even this is only notional profit and not actual profit realised by Noticee 1.
- 8.7. Noticee 2 made a switch request on the morning of June 29, 2020 and the same was completed on June 30, 2020. This is evident from the fact that Noticee 2's switch out date has been recorded as June 29, 2020, and an acknowledgement for the same were received by Noticee 2 on June 29, 2020 between 12:23 P.M. and 12:27 P.M. from MF Utilities Pvt. Ltd. through multiple email, i.e. her switch request was processed before 01:30 P.M. as per the existing SEBI circular dated November 26, 2010 bearing reference no. Cir/IMD/DF/19/2010 read with SEBI circular dated September 20, 2019 bearing reference no. SEBI/HO/IMD/DF2/CIR//P/2019/101 ("SEBI Circulars") and accordingly her switch in date has been recorded as June 30, 2020.
- 8.8. Likewise, Noticee 2 subscribed to the units of JMMF making switch request prior to the June 29 email, which as has been submitted above is not even an information, let alone unpublished information which has been relied upon by Noticee 2.
- 8.9. Even otherwise, Noticee 2 had good reason to invest in the relevant schemes of JM Financials Mutual Fund. Noticee 2 had been investing in schemes of JM Financials Mutual Fund since 2008. As of April 2020, Noticee 2's entire investment was in the JM Dynamic Bond Fund. Noticee 2 suffered losses in this fund during this period. Therefore, Noticee 2 switched her investment from JM Dynamic Fund to JM Liquid Fund on April 24, 2020 in order to avoid further losses.
- 8.10. Once the markets began to stabilize, Noticee 2 desired to transfer her investment back to the funds with better returns (but with minimal risk and volatility). Noticee 1 explained to Noticee 2 that the portfolios of JM Ultra Short Duration Fund, JM Short Term Fund, JM Low Duration Fund and JM Income Fund were good and therefore, the chance of default/losing investment in these

funds was minimal. Noticee 2 then independently decided to switch a part of her investment (amounting to Rs. 84 lakhs) into these four schemes.

- 8.11. Additionally, these switches cannot even be considered to be motivated by the alleged unpublished information as Noticee 2 even now continues to hold her investments in these schemes and has not even realized any gain. Moreover, even these notional returns is only approx. 6.63% annualized returns.*
- 8.12. Noticee 3 being the spouse of Noticee 1 sought approval of the Compliance Officer of the AMC in accordance with the Code of Conduct for Personal Securities Transactions of JMMF dated May 20, 2020 (“Code of Conduct”) on July 02, 2020 to purchase units one of the schemes of JMMF and the same was provided by the Compliance Officer. Pursuant to the said approval Noticee 3 purchased the units of INR 8 lakhs.*
- 8.13. Further, Noticee 3, like Noticee 2, continues to hold the unit of scheme of JMMF and had not realized any profit. Even the said notional profit is a low approx. 5.57 per cent annualized return.*
- 8.14. The date of the switch-ins being subsequent to June 29 email as erroneously alleged in the SCN is vital and goes to the root of the matter. This is because the entire case against Noticees in the SCN proceeds on the basis that by virtue of the June 29 email with Noticee 1 in copy, Noticee 1 was aware of the potential sale of the defaulted securities which were held by the various schemes of JMMF and in light of this knowledge, Noticees transferred their investments to those schemes of JMMF which were going to sell these defaulted securities. Indeed, the June 29 email is the only evidence relied upon by SEBI in the SCN to allege that Noticee 1 was in possession of unpublished information. However, since the switch-ins of Noticees took place prior to Noticee 1 allegedly becoming aware of the unpublished information, SEBI’s entire allegation against Noticees – that the switch-ins were “based on unpublished information” – is false and incorrect.*
- 8.15. Further, even the additional purchase of units by Noticee 1 and Noticee 3 together constituted less than 1% of the total investments which were made by them in various schemes of JMMF prior to June 29 email. Therefore, it cannot be the case of SEBI that such a minuscule amount of investment were based on unpublished information while more than 99% of the investment of Noticees*

were done by their own research and prior to emergence of the alleged unpublished information, the existence of which has already been denied by the Noticees.

- 8.16. *The defaulted securities were sold by Mr. Vikas Agrawal, Senior V.P. – Debt of the AMC, on July 06, 2020 and the same was intimated to the officials of JMMF, including Noticee 1 by the Head-Legal, Compliance and Secretarial, Ms. Diana D'sa at 06:20 P.M.*
- 8.17. *It is submitted that the AMC itself on May 13, 2022 in response to SEBI's query has informed SEBI that other than Mr. Vikas Agrawal no one who was employed by the AMC was involved / informed in / about the dealing with A.K. Securities.*
- 8.18. *It is submitted that to the surprise of the Noticees, the SCN has relied solely on the June 29 email and wrongly concluded that this email was a discussion for the sale of the defaulted securities. Therefore, the assumption of SEBI, from the plain reading of the above email, that the Noticees switched-in or subscribed to the units of JMMF with the knowledge of the allegedly impending sale of defaulted securities is patently erroneous and incorrect. This is presumptuous and invalid in law.*
- 8.19. *Therefore, it is submitted that there was no existence of unpublished information prior to deals made by Mr. Vikas Agrawal on July 06, 2020 for the defaulted securities. Even assuming that there was some unpublished information prior to July 06, 2020 it was definitely not the June 29 email and certainly not in possession of the Noticees. Thus, on this very fact the present SCN should be withdrawn as far as the Noticees are concerned.*
- 8.20. *Additionally, the communication made on June 29 email cannot even be considered for fraud under PFUTP Regulations. The comments made by Mr. Vikas Agrawal in his June 29 email was at best general comments made in good faith in regard to trends in the securities market even if made in private and the same is exempted from PFUTP Regulations by virtue of proviso to Regulation 2(c) of the PFUTP Regulations.*

Noticee Nos. 4 and 5

- 8.21. *In exercise of the rights conferred upon it under law, Noticees sought inspection of and copies of all documents relevant to the matter vide its letter dated November 28, 2022 ("Inspection Letter") addressed to SEBI. However,*

inspection of only certain limited documents was granted to the Noticees on November 30, 2022.

- 8.22. *The charge against the Noticees is that they have subscribed to the units of various schemes of JMMF based on unpublished information and thus, their act amounted to unfair trade practice on the investors. The alleged unpublished information as contended by SEBI in June 29, 2020 email of Mr. Vikas Agrawal ("June 29 email"). However, it is submitted that neither said email can be considered as an unpublished information nor the Noticees traded on the basis of the said email.*
- 8.23. *Noticee 4 switched his investments of around INR 37.5 lakhs from JM Overnight Fund to JM Low Duration Fund by placing a request for approval to the CEO of the AMC on June 26, 2020 (Friday) at 11:09 A.M. and June 29, 2020 (Monday) at 11:37 A.M. and the same was approved by the CEO of AMC.*
- 8.24. *It is stated that the SCN has not only failed to establish foundational facts that the Noticees subscribed to the units of scheme of JMMF but also proceeds on the fundamentally erroneous basis that the switch-ins by Noticees alleged in paragraph 5.4.1 and 5.5.1 of the SCN occurred on June 29, 2020 subsequent to the June 29 email.*
- 8.25. *The June 29 email was sent at 01:33 P.M. However, not only Noticee 4 never received the email but all the switch requests were made by him prior to that email.*
- 8.26. *Noticee 4 had an outstanding home loan with HDFC Limited, jointly with his brother. Noticee 4 repaid part of the principal loan amount on June 01, 2016 and July 03, 2018. Noticee 4 decided to repay the balance loan amount by the end of June 2020 towards full and final settlement. Since, Noticee 4 did not have enough funds in his savings bank account to repay the entire loan amount, he redeemed his investment in liquid and equity schemes of some mutual funds so as to consolidate his investments. Thus, Noticee 4 started redeeming and consolidating investments even before the SEBI Circular dated June 23, 2020 bearing reference no. SEBI/HO/DDHS/CIR/P/103/2020 which allowed trade in matured defaulted securities let alone the June 29 email.*
- 8.27. *After Noticee 4 had redeemed the aforesaid amount, he was informed by his bank that due to COVID-19 pandemic he has to wait for some time for the*

repayment of the loan since the repayment process required physical paperwork to be completed, and the staff of the bank had not commenced attending office physically due to the pandemic.

- 8.28. *Since Noticee 4 had already redeemed the amounts by this time, he decided to invest the sum for a short term period. Since the investment was for a short term, Noticee 4 did not desire to invest in equity instruments. Liquid funds were delivering returns similar to savings bank account rate and liquid plus category appeared to be the best category to invest in. Hence, Noticee 4 decided to invest this sum in JM Low Duration Fund.*
- 8.29. *As to the allegation on the sudden switch, Noticee 4 states that investments were routed through JM Overnight Fund for getting the benefit of previous day NAV (Liquid Fund category) and then on the same day, Noticee 4 switched the entire amount to JM Low Duration Fund (Debt Fund category). The objective behind this approach was to avoid the loss of one-day's interest while entering a debt scheme. Therefore, Noticee 4 invested in liquid category first and then switched the entire units to a debt category scheme.*
- 8.30. *Further, Noticee 4 sought approval on behalf of Noticee 5 from the CEO of AMC in accordance with the Code of Conduct for Personal Securities Transactions of JMMF dated May 20, 2020 ("Code of Conduct") on June 26, 2020 at 11:12 A.M. for switching her investment of INR 10 lakhs from JM Dynamic Debt Fund to JM Low Duration Fund. The approval for the same had been provided by the CEO on June 27, 2020 at 12:43 P.M.*
- 8.31. *Likewise, in case of Noticee 5 the switch request was made on June 26, 2020 at 12:10 P.M. itself. Further, Noticee 5 subscribed to the units of the scheme of JMMF subsequent to receiving approval from the CEO of the AMC in accordance with the Code of Conduct of JMMF.*
- 8.32. *In addition to the above, it is also pertinent to note that at the time when Noticee 5 invested in JM Low Duration Fund, it was a 100% AAA/sovereign portfolio. This is clearly evident from the month-end portfolio of May 31, 2020 published on the official website of JM Financials Mutual Fund. The portfolio clearly shows only 8 securities in the Fund, of which 6 were AAA rated (viz. HDFC Ltd. / Reliance Industries / Bajaj Finance / Bank of Baroda / Punjab National Bank / Nabard) and other 2 securities were Treasury Bills which were Sovereign in*

character. There was no mention of DHFL NCDs in the published portfolio of JM Low Duration Fund.

- 8.33. Additionally, these switches cannot even be considered to be motivated by the alleged unpublished information as Noticee 5 even now continues to hold her investments in these schemes and has not even realized any gain.
- 8.34. The date of the switch-ins being subsequent to June 29 email as erroneously alleged in the SCN is vital and goes to the root of the matter. This is because the entire case against Noticees in the SCN proceeds on the basis that by virtue of the June 29 email Noticees were aware of the potential sale of the defaulted securities which were held by the various schemes of JMMF and in light of this knowledge, Noticees transferred their investments to those schemes of JMMF which were going to sell these defaulted securities. Indeed, the June 29 email is the only evidence relied upon by SEBI in the SCN to allege that Noticees were in possession of unpublished information. However, since the switch-ins of Noticees took place on prior to Noticees allegedly becoming aware of the unpublished information, SEBI's entire allegation against Noticees – that the switch-ins were “based on unpublished information” – is false and incorrect.
- 8.35. The defaulted securities were sold by Mr. Vikas Agrawal, Senior V.P. – Debt of the AMC, on July 06, 2020 and the same was intimated to the officials of JMMF.
- 8.36. It is submitted that the AMC itself on May 13, 2022 in response to SEBI's query has informed SEBI that other than Mr. Vikas Agrawal no one who was employed by the AMC was involved / informed in / about the dealing with A.K. Securities.
- 8.37. It is submitted that to the surprise of the Noticees, the SCN has relied solely on the June 29 email and wrongly concluded that this email was a discussion for the sale of the defaulted securities. June 29 email is very clear and is at best “a speculation” or a discussion on the past factual trend, which is exempted from the charge of PFUTP regulations by virtue of proviso to Regulation 2(c) of the PFUTP Regulations. Therefore, the assumption of SEBI, from the plain reading of the above email, that the Noticees switched-in or subscribed to the units of JMMF with the knowledge of the allegedly impending sale of defaulted securities is patently erroneous and incorrect. This is presumptuous and invalid in law.

- 8.38. *Therefore, it is submitted that there was no existence of unpublished information prior to deals made by Mr. Vikas Agrawal on July 06, 2020 for the defaulted securities. Even assuming that there was some unpublished information prior to July 06, 2020 it was definitely not the June 29 email and certainly not in possession of the Noticees. Thus, on this very fact the present SCN should be withdrawn as far as the Noticees are concerned.*
- 8.39. *Additionally, the communication made on June 29 email cannot even be considered for fraud under PFUTP Regulations. The comments made by Mr. Vikas Agrawal in his June 29 email was at best general comments made in good faith in regard to trends in the securities market even if made in private and the same is exempted from PFUTP Regulations by virtue of proviso to Regulation 2(c) of the PFUTP Regulations.*

Noticee No. 6

- 8.40. *At the very outset, it is submitted that said provision of the 2016 Circular refers to “likelihood of a change in the accounting policy” and a “significant change in the valuation of an asset, or a class of assets”. Without prejudice to the following submissions, it may be noted that the 2016 Circular does not prohibit trading by employees when there is a likelihood of change in the valuation of an asset or a class of assets and only does so when there is “significant change” in the same.*
- 8.41. *In any event, the facts of the matter set out that the said provision of the 2016 Circular is not attracted due to the following:*
- 8.41.1. *The Approvals took place between June 26, 2020 and July 3, 2020.*
- 8.41.2. *As on June 26, 27 and 29, 2020, while the Defaulted Securities Circular had been issued (but had not come into force), there was no significant (or, for that matter, any) change in the valuation of the Securities of DHFL. In fact, since the earlier negotiations regarding the sale of the Securities had been scuttled, as on these dates there was no instance of any change in valuation of the Securities. Further, for this reason, it is submitted on a demurer that there was also no likelihood of any change in valuation of the Securities. It is submitted that the mere publication of the Defaulted Securities Circular does not and cannot change the valuation of the Securities, which would only take place when an actual*

transaction takes place or, at best, an agreement had been reached with respect to such a transaction. Thus, for the Approvals sought and accorded on June 26-29, 2020 the prohibition under the 2016 Circular cannot be said to have been attracted.

- 8.41.3. This is further evidenced by the fact of the email dated June 29, 2020 (Monday) 13:33 hrs which makes it categorically and ex facie make it clear that there was no likelihood of the Securities being sold at that time. In this regard, the Noticee would like to draw attention to the fact that the email dated June 29, 2020 unequivocally brings out that "Under current circumstances it will be really difficult to get a bid price for the same, however we are re-engaging with all potential buyers and trying our best to get a reasonable bid price in range of INR 20-24, though it seems to be bit optimistic, as even retail book of DHFL would start facing stress of NPA." Further, as brought out at paragraph 6.2 of the Notice, most of the requests for trades were approved by the Noticee on June 26, 2020 (the previous Friday) itself. Both these documents which are contemporaneous and relied upon in the Notice unequivocally demonstrate that on the date of approval of trades by the Noticee there was no bid or potential buyer for the DHFL securities.*
- 8.41.4. The Defaulted Securities Circular came into force on July 1, 2020. However, this by itself does not or would not change the valuation of the Securities, since even as on this date there was neither any sale of the Securities nor any likelihood of the same.*
- 8.41.5. With respect to the Approvals which were accorded for the requests made on July 2, 2020, similarly, there was no change in the valuation of the Securities nor any likelihood of the same. Further, there was no bid nor any potential buyer on July 2, 2020. Thus, since there was no change in the valuation of the assets, the provisions of the 2016 Circular cannot be said to be attracted.*
- 8.41.6. On July 3, 2020 (Friday), the ISINs of the Securities were activated and on July 6, 2020 (Monday) the Securities were sold.*

- 8.41.7. *There is nothing on record to indicate that there was any agreement or arrangement with respect to the sale of the Securities prior to July 6, 2020.*
- 8.41.8. *In any event, given the disclosure of the nil valuation of the securities and the information available with respect to the coming into force of the Defaulted Securities Circular, there was no reason for the Noticee as the Trustee or the AMC, to reasonably infer that there was any information asymmetry in this regard, that could disadvantage the investors in the securities market.*
- 8.41.9. *Further, and without prejudice to the aforesaid, it is submitted that there is nothing brought on record in the Notice to indicate that any undue benefit was drawn, including in the nature of the units of the Relevant Schemes being sold post the sale of the Securities of DHFL (which attributed the positive change in the NAVs of the same). Thus, it is submitted that the judicially recognised factor of a ‘profit motive’ is not something which has been brought out by way of the Notice in the instant case.*
- 8.42. *Thus, in view of the trite facts of the matter, it becomes clear that the 2016 Circular would not be attracted with respect to any of the Approvals, as set out in the Notice. It is submitted that any other interpretation would be antithetical to the literal interpretation of the 2016 Circular and contrary to the facts of the instant case.*

Noticee Nos. 6-7

- 8.43. *The Notice (as per paragraph 6.5) alleges that the sale of the Securities was an information with respect to the “general affairs of the scheme” and was not disclosed adequately and in a timely manner. It is submitted that this allegation is patently untenable for the following reasons:*
- 8.43.1. *At the very outset, it is submitted that there has not been any material brought on record to suggest that the information with respect to the securities of DHFL amounted to “general affairs of the scheme”. However, without prejudice to this, evidently, the information with respect to the effect of the sale of the Securities of DHFL was reflected in the daily disclosures of the NAV on the website of the Noticee and the AMFI.*

- 8.43.2. Admittedly, the Notice at paragraph 5.1.4 in a table on page 7 read with page 6 also acknowledges the fact that the change in valuation of defaulted securities was duly and promptly communicated to the investors through the changed NAV on July 06, 2020 (Monday), immediately upon the sale of defaulted securities of DHFL on the same date i.e. July 06, 2020 (Monday).
- 8.43.3. It is noteworthy that the details of Defaulted Securities Circular as well as the disclosure about the change in valuation of defaulted securities which was promptly communicated by the Noticee to the investors through changed NAV on July 06, 2020 (Monday) was also noticed and reported by a section of media on July 09, 2020, the details of which are covered at paragraph 1 read with 'Annexure 1' to the Notice and the Noticee is not repeating the same here for the sake of brevity. In this regard, it is also relevant to note that the fact of the publication of the Defaulted Securities Circular was also reported in the press as early as on June 23, 2020.
- 8.43.4. Noticee, therefore, reiterates that evidently, the sale of securities was promptly disclosed through the daily change in NAV.
- 8.43.5. In any event, the possibility that defaulted securities (such as the Securities of DHFL) could be sold was a fact which was squarely within the knowledge of the public, including the investors by way of the aforesaid press reports. As held by SEBI in other matters, such clear and precise news reports render the information in question 'public'.
- 8.43.6. Thus, it is submitted that the Noticee had disclosed that the valuation of the Securities had fallen to nil (by way of its aforesaid disclosure dated October 30, 2019). On the other hand, by way of the press reports on and around June 23, 2020, the investors became aware of the fact that sale of the Securities could potentially take place. As such, there was no reason for the Noticee as the AMC, to reasonably infer that there was any information asymmetry in this regard, that could disadvantage the investors in the securities market. Further, as aforesaid, when the sale took place, the fact and effect of the same was also communicated to the investors by way of the daily change in the NAV on July 6, 2020.

- 8.43.7. Further, the fact of the sale of the Securities of DHFL are duly disclosed in the Annual Report of the Relevant Schemes for the FY 2020-21.
- 8.43.8. The annual report also furnished the details regarding the sale of the Securities in the terms of the Relevant Schemes, and clarified that the amount raised upon sale of the Securities had been considered in the NAV of the above schemes on July 6, 2020. It is submitted that, without prejudice to the submission that this information did not require disclosure on account of not being related to the “general affairs” of the Relevant Schemes, the aforesaid reflects that the information with respect to the sale of the Securities of DHFL was disclosed adequately and in a timely manner, in line with the requirements of Clause 2 of Schedule V of the MF Regulations.
- 8.43.9. In this regard, it is also submitted that the effect of the sale of the Securities of DHFL had a positive effect on the NAVs of the Relevant Schemes. Thus, without prejudice to the submission that this information did not require disclosure on account of not being related to the “general affairs” of the Relevant Schemes, the sale of the Securities amounted to positive information which had a positive effect on the NAVs of the Relevant Schemes. As such, it was appreciation of the investments of the investors/unitholders (compared to when the Securities were valued at nil) and their interests were protected and promoted (as opposed to prejudiced) due to the said sale transactions.
- 8.44. It is also relevant to note that the requirements in terms of Clause 2 of Schedule V of the MF Regulations are not akin to or comparable with the type of disclosures mandated in other regulations of SEBI (like the SEBI (Prohibition of Insider Trading) Regulations, 2015 or the SEBI (Listing Obligations and Disclosure Requirements), 2015) which provide for event-based or threshold-based disclosures within a specified time-frame. Schedule V of the MF Regulations (read with Regulation 18(22) or 25(16) of the same) sets out general obligations to be discharged by the Noticee, which is in the nature of a ‘Code of Conduct’. In such a case, it would wholly defeat the purpose of the same to read it so narrowly.

8.45. *Thus, in view of the aforesaid, it is submitted that the charge in terms of Clause 2 of Schedule V of the MF Regulations is wholly untenable and not made out with respect to the Noticee.*

G. HEARING

9. Hearing for Noticee Nos. 1 to 5

- 9.1. After receipt of the written replies and in compliance with the principle of natural justice, an opportunity of personal hearing was granted to the Noticee Nos. 1 to 5 by the erstwhile AO on December 16, 2022 which was communicated to the Noticee Nos. 1 to 5 vide hearing notice dated December 02, 2022
- 9.2. During the hearing on December 16, 2022, Noticee Nos. 1 to 5 were represented by their ARs. The ARs reiterated the written replies filed by the Noticee Nos. 1 to 5 vide letter dated December 15, 2022. Further, vide letter dated December 15, 2022, ARs of Noticee Nos. 1 to 5 requested certain documents. During the hearing, clarification in this regard was provided by the erstwhile AO. In this context, the ARs agreed to file revised submissions in this regard. Noticee Nos. 1 to 5 filed the said revised submission on December 21, 2020.
- 9.3. Subsequently, SEBI vide email dated January 11, 2023 informed that Noticee Nos. 4 and 5 had filed settlement applications under Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 (hereinafter referred to as “**Settlement Regulations**”). Thereafter, vide email dated January 27, 2023, it was informed that Noticee Nos. 1 to 3 had also filed settlement applications under Settlement Regulations. Thereafter, ARs of Noticee Nos. 1 to 5 vide email dated March 10, 2023 informed that the settlement application filed by them had been withdrawn.
- 9.4. Thereafter, further opportunity of personal hearing was granted to Noticee Nos. 1 to 5 on November 09, 2023 and December 14, 2023 by the erstwhile AO. However, Noticee Nos. 1 to 5 chose not to avail themselves of the said opportunity of hearing.

9.5. Pursuant to the change of AO, another opportunity of hearing was granted to the Noticee Nos. 1 to 5 on June 25, 2024. In response, Noticee Nos. 1 to 5, vide emails dated December 11, 2023 and June 21, 2024, submitted that relevant submissions have already been filed by them and there are no further submissions to be made by them.

10. Hearing for Noticee Nos. 6 and 7

10.1. After receipt of the written replies and in compliance with the principle of natural justice, an opportunity of personal hearing was granted to the Noticee Nos. 6 and 7 by the erstwhile AO on December 16, 2022 which was communicated to the Noticees vide hearing notice dated December 02, 2022

10.2. The ARs of Noticee Nos. 6 and 7 requested the adjournment of the personal hearing to December 20, 2022. The said request for rescheduling was allowed by the erstwhile AO. On December 20, 2022, ARs of Noticee No. 6 and 7 reiterated the written replies filed vide letter dated December 19, 2022. Further, ARs of Noticee No. 6 were granted an opportunity to file additional submissions latest by December 27, 2022. In response, Noticee No. 6 submitted an additional reply vide letter dated December 27, 2022.

10.3. Thereafter, further opportunities of personal hearing were granted to the Noticee Nos. 6 and 7 on December 20, 2023 by the erstwhile AO.

10.4. Consequent to the appointment of the undersigned as AO, another opportunity of hearing was given to the Noticee Nos. 6 and 7 on June 26, 2024. Noticee Nos. 6 and 7 were represented by their ARs on June 26, 2024. Further, the Noticee No. 6 submitted additional replies vide letter dated July 05, 2024.

11. It is noted that the SCN along with the annexures and the Hearing Notice were duly served on the Noticees. The Noticees were granted sufficient opportunities to make submissions in reply to the SCN, of inspection and of personal hearing.

H. ISSUES

12. I have carefully perused the charges levelled against the Noticees in the SCN, their replies and the material / documents available on record.

13. In the instant matter, the following issues arise for consideration and determination:

- I. Whether the act of Noticee Nos. 1 to 5 to subscribe to the units of relevant schemes before the change in valuation of the defaulted securities was based on unpublished information and thereby violated Regulations 3(a), 4(1) and 4(2)(q) of PFUTP Regulations read with Section 12A(e) of the SEBI Act?
- II. Whether the investment by Noticee Nos. 1 to 5 in the relevant schemes before the impending sale of the defaulted securities, when such information was not communicated to the public, was in contravention of Clause E(3)(d) of SEBI Circular dated November 17, 2016?
- III. Whether Noticee No. 6, by clearing all the transactions of the Noticee Nos. 1 to 5 after June 23, 2020 in the relevant schemes before the impending sale of the defaulted securities, when such information was not communicated to the public has violated Clause E(3)(d) of the SEBI Circular dated November 17, 2016?
- IV. Whether Noticee Nos. 6 and 7, by failing to disclose to investors about the change in valuation of defaulted securities/sale of securities, did not provide adequate and timely information to investors about the general affairs of the scheme and thereby violated Clause 2 of Fifth Schedule to the MF Regulations?
- V. Do the violations, if any, on the part of the Noticees attract monetary penalty under Sections 15HA and 15HB of the SEBI Act on Noticee Nos. 1 to 5, under Sections 15E, 15D(b) and 15HB of the SEBI Act on Noticee No. 6 and under Sections 15D(b) and 15 HB of the SEBI Act on Noticee No. 7?
- VI. If so, what would be the quantum of monetary penalty that can be imposed on the Noticees after taking into consideration the factors mentioned in Section 15J of the SEBI Act?

14. The relevant extracts of the provisions of law, allegedly violated by Noticees, are mentioned under:

Relevant provisions of SEBI Act

Section 12A(e) of SEBI Act states that,

“12A. No person shall directly or indirectly—

.....

(e) deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder;”

Relevant provisions of PFUTP Regulations

A. Regulations 3(a) of the PFUTP Regulations states that,

“No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;”

B. Regulations 4(1) of the PFUTP Regulations states that,

“Without prejudice to the provisions of regulation 3, no person shall indulge in a manipulative, fraudulent or an unfair trade practice in securities markets.

Explanation.— For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.”

C. Regulations 4(2)(q) of the PFUTP Regulations states that,

“4(2) Dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves any of the following:

.....

(q) any order in securities placed by a person, while directly or indirectly in possession of information that is not publically available, regarding a

substantial impending transaction in that securities, its underlying securities or its derivative;”

Relevant provisions of MF Regulations

Clause 2 of Fifth Schedule of MF Regulations states that,

“Trustees and asset management companies must ensure the dissemination to all unitholders of adequate, accurate, explicit and timely information fairly presented in a simple language about the investment policies, investment objectives, financial position and general affairs of the scheme.”

Relevant provisions of SEBI Circular dated November 17, 2016

“Notwithstanding anything mentioned earlier, in the following cases employees of AMC & Trustees shall not purchase or sell /or repurchase or redeem units of any scheme, including Money Market Mutual Fund scheme and liquid scheme of their Mutual Fund:

.....

d. There is a likelihood of a change in the accounting policy, or a significant change in the valuation of any asset, or class of assets and the same has not been communicated to the investors;”

Preliminary Objection

15. Before proceeding with the matter on merits, I would like to first deal with the contention of Noticee Nos. 1 to 5 that certain documents were not provided to Noticee Nos. 1 to 5 during the inspection of documents conducted on November 30, 2022.

16. In this regard, I note that Noticee Nos. 1 to 5, vide letter dated December 21, 2022, had as follows:

Table 5

Sr. No.	Document required (Application dated November 28, 2022 & mentioned in Para 22 of Reply dated December 15, 2022)	Reference / Rationale	Status as of December 16, 2022	Clarification during Personal Hearing dated December 16, 2022
1.	Communications made by officials of JM Mutual Funds regarding sale of securities of DHFL between June 29, 2020 and July 06, 2020.	Para 3. of the SCN	Not provided	We are informed that SEBI does not have any communication of the officials of the AMC with respect to the sale of the securities of DHFL among themselves or with AK Capital Services Ltd., other than below: 1. voice recording provided vide email dated November 30, 2022; and 2. an email dated July 06, 2020 of Mr. Vikas Agarwal.
2.	Communications made between JM Financial Mutual Fund and AK Capital Services Ltd. regarding sale of securities of DHFL.	Para 3.2 of the Examination of Schemes of JM Financial Mutual Fund and Annexure 8 of the SCN	Not provided	
3.	All the alleged information in possession of Noticee No. 4 regarding the sale of securities of DHFL between June 29, 2020 and July 06, 2020.	Para 7.11 and 8.10 of the Examination of Schemes of Financial Mutual Fund	Not provided	During the hearing Regstreet Law Advisors, AR of the Noticees, raised an objection as to its inability to understand the accuracy, adequacy, source, authenticity, recipient and the author of the purported list provided during inspection. The illegible documents which are some handwritten scribbles (including crossed texts) on an internal SEBI notepad, that are undated and unsigned, enclosed hereto as Exhibit 1 is the only list, according to office of the Ld. AO, are the document in response to our request.
4.	List sent by SEBI to JM Financial Mutual Fund on May 09, 2022 seeking certain specific emails from email boxes of Deepen Doshi, Vikas Agrawal, Bhanu Katoch and JM.	Annexure 8 of the SCN	Not provided	Based on the above clarification as mentioned in Serial No. 3 above and assertion that there is no other list / listed emails, this request may be considered to have been provided.
5.	Copy of the response / listed emails sent by JM Financial Mutual Fund in response to the list dated May 09, 2022 sent by SEBI.	Annexure 8 of the SCN	Not provided	During the hearing Regstreet Law Advisors, AR of the Noticees, raised an objection as to its inability to understand the accuracy,

				adequacy, source, authenticity, recipient and the author of the purported list provided during inspection. The illegible documents which are some handwritten scribbles (including crossed texts) on an internal SEBI notepad, that are undated and unsigned, enclosed hereto as Exhibit 2 is the only list, according to office of the Ld. AO, are the document in response to our request.
6.	Copy of the response / listed emails sent by JM Financial Mutual Fund in response to the list dated May 12, 2022 sent by SEBI.	Annexure 8 of the SCN	Not provided	Based on the above clarification as mentioned in Serial No. 5 above and assertion that there is no other list / listed emails, this request may be considered to have been provided.
7.	Screenshot as submitted by JM Financial Mutual Fund to SEBI vide email dated 13.05.2022.	Annexure 8 of the SCN	Not provided	This has been provided.
8.	Communications made between Noticee No.1 and Noticee No. 2 between June 29, 2020 and July 06, 2020.	Annexure 8 of the SCN	Not provided	Not Provided because not available
9.	Communications made between Noticee No.1 and Noticee No. 3 between June 29, 2020 and July 06, 2020.	Principles of natural justice and fairness	Not provided	
10.	Original letter seeking call data records of Noticee 1 between June 29, 2020 and July 06, 2020 and make a copy available.	Principles of natural justice and fairness	Not provided	
11.	Call data record of Noticee 1 between June 29, 2020 and July 06, 2020.	Principles of natural justice and fairness	Not provided	

12.	<i>Original letter seeking call data records of Noticee 2 between June 29, 2020 and July 06, 2020 and make a copy available.</i>	<i>Principles of natural justice and fairness</i>	<i>Not provided</i>	
13.	<i>Call data record of Noticee 2 between June 29, 2020 and July 06, 2020.</i>	<i>Principles of natural justice and fairness</i>	<i>Not provided</i>	
14.	<i>Original letter seeking call data records of Noticee 3 between June 29, 2020 and July 06, 2020 and make a copy available.</i>	<i>Principles of natural justice and fairness</i>	<i>Not provided</i>	
15.	<i>Call data record of Noticee 3 between June 29, 2020 and July 06, 2020,</i>	<i>Principles of natural justice and fairness</i>	<i>Not provided</i>	
16.	<i>All the documents received, communications made by SEBI with any person in respect of the present proceedings, not provided along with the SCN. if any.</i>	<i>Principles of natural justice and fairness</i>	<i>Not provided</i>	
17.	<i>Any other statement recorded by SEBI with respect to these proceedings.</i>	<i>Principles of natural justice and fairness</i>	<i>Not provided</i>	
18.	<i>Any adverse material available on record or any document filed by any other Noticee evidencing anything in relation to the allegations against Our Clients in the SCN.</i>	<i>Principles of natural justice and fairness</i>	<i>Not provided</i>	
19.	<i>All other documents that are in SEBI's possession in relation to the present proceedings including external communications, file noting insofar as it relates to the Noticee from 2020 till date.</i>	<i>Principles of natural justice and fairness</i>	<i>Not provided</i>	

17. In this regard, based on material available on record, I note that Noticees have been provided with all the relevant and available documents in the present proceedings.

18. Therefore, no merit exists in the objection raised by the Noticee Nos. 1 to 5.

I. CONSIDERATION OF ISSUES

Issue I: Whether the act of Noticee Nos. 1 to 5 to subscribe to the units of relevant schemes before the change in valuation of the defaulted securities was based on unpublished information and thereby violated Regulations 3(a), 4(1) and 4(2)(q) of PFUTP Regulations read with Section 12A(e) of the SEBI Act?

19. In the SCN, it was alleged that the Noticee Nos. 1 to 5 have subscribed to the units of schemes holding defaulted securities prior to change in valuation of the defaulted securities based on non-public information. Therefore, it was alleged that the Noticee Nos. 1 to 5 have indulged in act of unfair trade practice on the investors.

20. The relationship between the Noticee Nos. 1 to 5 which transpires from the material on record is tabulated below:

Table 6

Noticee Name	Details
Noticee No. 1	CEO, Noticee No. 6
Noticee No. 2	Mother of Noticee No. 1
Noticee No. 3	Wife of Noticee No. 1
Noticee No. 4	Head of Institutional Sales of Noticee No. 6 and access person
Noticee No. 5	Mother of Noticee No. 4

21. The aforesaid details, as tabulated above, are not in dispute. In this background, I note that the matured defaulted securities of DHFL were valued 'Nil' by Noticee No. 6 on October 29, 2019.

22. SEBI vide Circular dated June 23, 2020 had allowed transactions in debt securities where redemption amount has not been paid on maturity/redemption date by the issuer entity. In this regard, Mr. Vikas Agarwal, Senior VP, Debt, shared an update regarding the sale of defaulted securities of DHFL vide email dated June 29, 2020. There is no dispute regarding the fact that the said email dated June 29, 2020 was carbon copied to Noticee No. 1 as well.

23. The said email dated June 29, 2020, it, *inter alia*, states as under:

23.1. *With reference to holdings of DHFL NCDs in schemes of JM financial Mutual Fund, we would like to update you that we were in process to do a sale trade in month on January 2020, for which we got approvals from both AMC and Trustee Board; but unfortunately SEBI regulation at that moment did not allow settlement of the trade.*

23.2. *SEBI after consultations with market participants has now come out with operational guidelines for trading in securities of defaulted Issuers including NCDs which have got matured. Post this development market has witnessed price discussion on these matured NCDs.*

23.3. *We had done deal with Deutsche Bank at that time for a price of approximately INR 26/-. We tried to reinstate our discussion with Deutsche bank but so far we have not got any response from them. Deutsche bank has indicated that they need to revisit their investment committee as everything due to COVID and will come back if they get the approval.*

23.4. *Under current circumstances it will be really difficult to get a bid price for the same, however we are re-engaging with all the potential buyers and trying our best to get a reasonable bid price in range of INR 20-24 though it seems to be bit optimistic, as even retail loan book of DHFL would start facing stress of NPA.*

23.5. *In the current scenario, a bid in the range of INR 20-24 will be very reasonable and good opportunity to immediately strike the sale deal.*

24. From the material on record and after taking note of submissions of the Noticee Nos. 1 to 5, the following picture emerges regarding the transactions executed by them in the period from June 23, 2020 to July 03, 2020:

Table 7

Transaction by Noticee No. 1 in the period from June 23, 2020 to July 06, 2020

Scheme	Transaction Type	Approval of AMC sought on	NAV Date	Amount (in Rs.)	% increase in NAV post the sale
JM Ultra Short Duration Fund	Switch in	26/06/2020 at 8:58 AM	29/06/2020	12,00,00,000	3.79%
JM Short Term Fund	Switch in	26/06/2020 at 8:58 AM	29/06/2020	1,00,00,000	2.75%
JM Low Duration Fund	Switch in	26/06/2020 at 8:58 AM	29/06/2020	1,00,00,000	19.85%
JM Income Fund	Switch in	26/06/2020 at 8:58 AM	29/06/2020	1,00,00,000	2.05%
JM Equity Hybrid Fund	Switch in	26/06/2020 at 8:58 AM	29/06/2020	1,00,00,000	19.35%
JM Low Duration Fund	Additional Purchase	No date and time mentioned in the Form 'Annexure A' through which approval was taken	02/07/2020	7,99,960	19.85%
Total				16,07,99,960	

Table 8

Transaction by Noticee No. 2 in the period from June 23, 2020 to July 06, 2020

Scheme	Transaction Type	Approval of AMC sought on	Switch in Request Date and Time	NAV Date	Amount (in Rs.)	% increase in NAV post the sale
JM Ultra Short Duration Fund	Switch in	No approval of AMC was taken	29/06/2020 at 12:23 P.M.	30/06/2020	30,00,000	3.79%
JM Short Term Fund	Switch in		29/06/2020 at 12:25 P.M.	30/06/2020	25,00,000	2.75%

JM Low Duration Fund	Switch in		29/06/2020 at 12:26 P.M.	30/06/2020	19,00,000	19.85%
JM Income Fund	Switch in		29/06/2020 at 12:27 P.M.	30/06/2020	10,00,000	2.05%
Total					84,00,000	

Table 9

Transaction by Noticee No. 3 in the period from June 23, 2020 to July 06, 2020

Scheme	Transaction type	Approval of AMC sought on	Switch in Request Approval Date and Time	NAV Date	Amount (in Rs.)	% increase in NAV post the sale
JM Ultra Short Duration Fund	Switch in	No date and time mentioned in the Form 'Annexure A' through which approval was taken	02/07/2020	02/07/2020	7,99,960	3.79%

Table 10

Transaction by Noticee No. 4 in the period from June 23, 2020 to July 06, 2020

Scheme	Transaction Type	Approval of AMC sought on	NAV Date	Amount (in Rs.)	% increase in NAV post the sale
JM Low Duration Fund	Switch in	26/06/2020 at 11:09 AM	29/06/2020	15,00,371.71	19.85%
JM Low Duration Fund	Switch in	29/06/2020 at 11:37 AM	30/06/2020	22,50,182.50	19.85%
Total				37,50,554	

Table 11**Transaction by Noticee No. 5 in the period from June 23, 2020 to July 06, 2020**

Scheme	Transaction type	Approval of AMC sought on	NAV Date	Amount (in Rs.)	% increase in NAV post the sale
JM Low Duration Fund	Switch in	26/06/2020 at 11:12 AM	02/07/2020	10,00,000	3.79%

25. Thereafter, JMMF had sold the defaulted securities of DHFL to A K Capital Services Ltd. on July 06, 2020. As a result of the sale transactions of defaulted securities, NAV of the relevant schemes, witnessed a sudden increase in the NAV. The relevant details are tabulated below:

Table 12

Sr. No.	Name of Scheme holding DHFL securities	NAV of Direct Growth option on July 3, 2020 (Friday) (in Rs.)	NAV of Direct Growth option on July 6, 2020 (Monday) (in Rs.)	Increase in NAV in %
1.	JM Low Duration Fund	23.9273	28.6762	19.85%
2.	JM Equity Hybrid Fund	40.3193	48.1192	19.35%
3.	JM Ultra Short Duration Fund	26.4045	27.4059	3.79%
4.	JM Short Term Fund	26.1259	26.844	2.75%
5.	JM Income Fund	52.173	53.241	2.05%
6.	JM Large Cap Fund	72.427	73.28	1.18%

26. From the aforesaid tables, it transpires that the Noticee Nos. 1 to 5 had subscribed to the relevant schemes holding the defaulted securities in the period between June 23, 2020 to July 03, 2020 and were the beneficiary of the sudden increase in NAV pursuant to the sale of defaulted securities.

Observations on the submissions of Noticees

27. I note that Noticee Nos. 1 to 5 have, *inter alia*, submitted various grounds as their defenses which are discussed under different headings for the ease of discussion.

No existence of any non-published information

28. Noticee Nos. 1 to 5 have contended that the allegation that they had switched in or subscribed to the units of JMMF based on non-public information is erroneous and false. They have submitted that the email dated June 29, 2020 cannot be considered unpublished information and there was no existence of unpublished information prior to the deals executed by Mr. Vikas Agarwal on July 06, 2020. Further, the Noticee Nos. 1 to 5 have contended that Mr. Vikas Agarwal himself mentioned in his email dated July 06, 2020 that the sale of defaulted securities had come as a surprise. In support of the contention, Noticee Nos. 1 to 5 have relied on the judgment of **Samir C. Arora v. SEBI**.

29. On perusal of the email dated June 29, 2020, I note that Mr. Vikas Agarwal on behalf of JMMF has been in the process of selling the defaulted securities of DHFL since January 2020. Further, it clearly transpires that JMMF was actively looking for buyers of the defaulted securities. In this regard, it is noted that Mr. Vikas Agarwal on behalf of JMMF had a discussion with Deutsche Bank wherein the probable value of the defaulted securities was also discussed. The said email further notes that even if agreed upon, the transactions could not have been concluded on account of regulatory restrictions.

30. Thereafter, as noted in the said email of Mr. Vikas Agarwal, the SEBI Circular dated June 23, 2020 lifted the regulatory restrictions on the sale of matured defaulted securities. After the said SEBI Circular, the sale of the matured defaulted securities was possible. The said email dated June 29, 2020 further notes that the market witnessed price discussions on these matured NCDs after the SEBI Circular came into force. Further, Mr. Vikas Agarwal writes that he on behalf of JMMF had tried to reinitiate discussions with Deutsche Bank where the deal was

done for a price of approximately Rs. 26/- but did not get any response from them. These facts highlight that the JMMF had decided to sell the defaulted securities of DHFL, and discussions were being held with prospective buyers on the value of the defaulted securities. This information was not available in the public domain.

31. In this context, I note that the email dated June 29, 2020 provided more insights regarding the approximate value of the defaulted securities. Further, it further lends credence to the fact that the sale of defaulted securities was in progress. The relevant extracts of the mail are as follows:

*“Under current circumstances it will be really difficult to get a bid price for the same, however we are re-engaging with all the potential buyers and trying our best to get **a reasonable bid price in range of INR 20-24** though it seems to be bit optimistic, as even retail loan book of DHFL would start facing stress of NPA.*

In the current scenario, a bid in the range of INR 20-24 will be very reasonable and good opportunity to immediately strike the sale deal.

However, if we are unable to get bid in this range, we will again consult / seek guidance on pricing.” (Emphasis supplied)

32. From the aforesaid email, there is no doubt about the fact that the said email shows an urgency on the part of Noticee No. 6 to sell the defaulted securities along with the probable value of the defaulted securities. No doubt the said email raised a possibility that the sale might not happen considering the prevailing circumstances, but the fact remains that Mr. Vikas Agarwal was going to *“immediately strike sale deal”* if a bid in the range of Rs. 20-24 was received. In this regard, it is vital to note that a buyer for the defaulted securities was found on July 06, 2020 i.e. within a week from the said email. Further, the sale was executed in a price range of Rs. 22.35 - 22.47 which was within the price range provided in the said email. It is important to note that the investors at large had no access to any information pertaining to the valuation or the impending sale of the defaulted securities.

33. In this context, when we consider the position of Noticee Nos. 1 and 4 in the AMC at the relevant time, the fact that Mr. Vikas Agrawal who was handling the sale of defaulted securities of DHFL was reporting to Noticee No. 1 and Noticee No. 6 was looking to immediately sell the defaulted securities vis a vis the trading pattern of Noticee Nos. 1 to 5 as discussed in the aforesaid paragraphs, would irresistibly lead to an inference that Noticee Nos. 1 to 5 were privy to the information about the impending sale of defaulted securities even before June 29, 2020. Therefore, the contention of the Noticee Nos. 1 to 5 that most of their switch in request was made before the said email dated June 29, 2020 does not in any manner further the cases of Noticee Nos. 1 to 5. I note that the email dated June 29, 2020 also provided further information regarding the impending sale of defaulted securities including the probable price of the defaulted securities. When we analyse the aforesaid facts jointly, it becomes apparent that Noticee No. 1 to 5 were privy to material information regarding the probable price range of the defaulted securities and the probability of the sale happening shortly. There is no dispute whatsoever that all this information was not available to the common investor.
34. I have taken note of the contention of Noticee Nos. 1 to 5 wherein they have submitted that Mr. Vikas Agarwal, in his email dated July 06, 2020, had mentioned that the sale of the defaulted securities had come as a surprise. In this regard, I note that merely because the said sale came purportedly as a surprise, it cannot undermine the fact that the information regarding the impending sale of defaulted securities that Noticee Nos. 1 to 5 had access to by virtue of the position of Noticee Nos. 1 and 4 was not available to the general public at large. It is a fact the Noticee Nos. 1 to 5 had subscribed to the relevant schemes in the period from June 23, 2020 to July 03, 2020 and were beneficiary of the sudden increase in the NAV after the sale of defaulted securities.
35. From the discussions in the preceding paragraphs, I note that the said email dated June 29, 2020 contained key information regarding the impending sale of the defaulted securities which were held by JMMF. There was an information asymmetry for the common investor with regard to the sale of defaulted securities. Therefore, the said email dated June 29, 2020 cannot be considered as general

comments made in good faith and it in no manner falls within the ambit of the exception provided under proviso to Regulation 2(c) of the PFUTP Regulations.

36. Noticee Nos. 1 to 3 have contended that Hon'ble SAT in the matter of **Samir C. Arora v. SEBI**² has held that "*an information which is uncertain cannot be labelled as information*". In this regard, from the discussions in the previous paragraphs, it is noted that the non-public information regarding the impending sale of the defaulted securities cannot be said to be uncertain. Therefore, the order of Hon'ble SAT in the matter of Samir C. Arora v. SEBI is not applicable to the factual matrix of the present case.

37. Hence, this contention of the Noticee Nos. 1 to 5 is untenable.

Only Mr. Vikas Agrawal was involved / informed in / about the dealing with A.K. Capital

38. I note that Noticee Nos. 1 to 5 have contended that the AMC had informed SEBI vide email dated May 13, 2022 that other than Mr. Vikas Agrawal no one who was employed by the AMC was involved / informed in / about the dealing with A.K. Capital.

39. In this regard, I note that the issue before me pertains to the act of Noticee Nos. 1 to 5 subscribing to the relevant schemes holding defaulted securities before the change in valuation of the said defaulted securities on the basis of non-public information. Thus, it is noted that the issue at hand is not limited to the sale of defaulted securities to A.K. Capital. In this context, I find the said contention of Noticee Nos. 1 to 5 to be inconsequential. Further, even if we were to accept this submission that only Mr. Vikas Agrawal was involved in dealing with A.K. Capital, it remains that Noticee Nos. 1 to 5 were aware of the impending sale of defaulted securities along with their expected price/ valuation when they had subscribed to relevant schemes before the sale of defaulted securities.

² 2004 SCC Online SAT 90.

Noticee No. 2 had good reason to invest in the relevant schemes

40. I note that Noticee No. 2 has contended that she had good reason to invest in the relevant schemes of JM Financials Mutual Fund. She has mentioned that she has been investing in schemes of JM Financials Mutual Fund since 2008. As of April 2020, her entire investment was in the JM Dynamic Bond Fund where she had suffered losses during this period. Therefore, she switched her investment from JM Dynamic Fund to JM Liquid Fund on April 24, 2020 in order to avoid further losses. After the markets began to stabilize, she desired to transfer her investment back to the funds with better returns (but with minimal risk and volatility). Noticee No. 1 explained to her that the portfolios of JM Ultra Short Duration Fund, JM Short Term Fund, JM Low Duration Fund and JM Income Fund were good and therefore, the chance of default/losing investment in these funds was minimal. Noticee No. 2 then independently decided to switch a part of her investment (amounting to Rs. 84 lakhs) into these four schemes.

41. In this regard, I note that Noticee No. 2 is the mother of Noticee No. 1 who was the CEO of Noticee No. 6. It is noted from the email dated May 13, 2020 of Noticee No. 1 that Noticee No. 1 had advised Noticee No. 2 to invest in the schemes that were holding the defaulted securities of DHFL. The relevant extract of the said email dated May 13, 2020 sent by Noticee No. 1 to SEBI is, *inter alia*, reproduced as follows:

“In June she also spoke with me and I explained to her that the portfolios of these funds are good and therefore the chance of default/losing money is very minimal. I also explained to her that the volatility will be low since maturity in these schemes was lower than Dynamic Fund where she had suffered some losses in March 2020. ... Therefore, in the normal course of investing she switched around approx 84 Lacs out of her approx 1.75 cr from JM Liquid fund scheme. This was a partial switch out of Liquid Fund into various debt schemes of JM Financial Mutual Fund.”

42. In this regard, I note from the material on record that Noticee No. 2 did not make any investment in these schemes, having exposure to defaulted securities before June 23, 2020 and she made switch in to these schemes after receiving advice from Noticee No. 1. It is noted that the transactions were executed by Noticee No. 2 at the very time when the SEBI Circular dated June 23, 2020 was issued and JMMF, which had decided to sell the defaulted securities, could have sold the defaulted securities. Therefore, such an investment cannot be a mere coincidence but raises a red flag and indicates that the trades were executed based on an information that was not available in the public domain.
43. Therefore, I note from the trading pattern of the Noticee No. 2 that her submission that the said trades were in the normal course is not convincing.

No material to show how Noticee Nos. 4 and 5 came in possession of the non-public information

44. Noticee Nos. 4 and 5 have contended that there is no material to show how the non-public information regarding the impending sale of defaulted securities came into their possession. In this regard, Noticee No. 4 has further stated that the Examination Report has noted that *“there is no material/documents available to establish that Mr. Deepen Doshi received information about the impending sale of the defaulted securities”*.
45. I note that the fact that Noticee No. 4 was an access person reporting to the Noticee No. 1 has not been disputed. I note that Noticee No. 4 had invested Rs. 37,50,554/- (Thirty-Seven Lakhs Fifty Thousand Five Hundred Fifty-Four) in the scheme, JM Low Duration Fund in the period between June 23, 2020 to July 06, 2020 as noted in Table 9. It is noted that Noticee No. 4 did not have any investments in JM Low Duration Fund as of March 31, 2017, March 31, 2018, March 31, 2019 and March 31, 2020. The relevant details in this regard are provided as under:

Table 9

Scheme Name	Value of Holding as on (in Rs.) in crore							
	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	June 23, 2020	July 06, 2020	March 31, 2021	March 31, 2022
JM Dynamic Bond Fund	0.03	0.04	-	-	-	0.02	-	-
JM Flexicap Fund	-	-	-	0.02	-	-	-	-
JM Focused Fund	0.02	-	0.01	0.01	-	-	-	-
JM Liquid Fund	0.05	-	0.19	0.00	0.00	0.00	0.00	-
JM Overnight Fund	-	-	-	-	-	-	-	0.00
JM Equity Hybrid Fund	0.03	0.19	-	-	-	-	-	-
JM Low Duration Fund	-	-	-	-	-	0.45	-	-
Total	0.13	0.23	0.20	0.02	0.00	0.47	0.00	0.00

46. From the aforesaid table, I note that Noticee No. 4 had only subscribed units in the JM Low Duration Fund in the period between June 23, 2020 to July 03, 2020. It is pertinent to note that the said scheme, JM Low Duration Fund saw the highest increase in its NAV post the sale of the defaulted securities.

47. At the same time, Noticee No. 5, who was the mother of the Noticee No. 4 had also switched her investment to JM Low Duration Fund as noted in Table 10. Similar to Noticee No. 4, Noticee No. 5 did not have any investments in JM Low Duration Fund as of March 31, 2019 and March 31, 2020. The relevant details regarding the investment of Noticee No. 5 are tabulated below:

Table 10

Scheme Name	Value of Holding as on (in Rs.) in crore							
	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	June 23, 2020	July 06, 2020	March 31, 2021	March 31, 2022
JM Dynamic Bond Fund	0.07	0.02	0.11	0.11	0.11	0.02	0.02	0.02
JM Low Duration Fund	-	0.08	-	-	-	0.12	0.12	0.13
Total	0.07	0.10	0.11	0.11	0.11	0.14	0.14	0.14

48. From the said table, it is noted that Noticee No. 5 had switched almost her entire investment to the JM Low Duration Fund, which saw its NAV increase by 19.85%.

49. It is also a fact that the approval for the switch was taken by Noticee No. 4 on behalf of Noticee No. 5 from Noticee No. 1, CEO of the AMC. In this regard, as per the submission of Noticee Nos. 4 and 5, Noticee No. 4's investment in the said scheme was held on either/ survivor basis with Noticee No. 5.

50. In this regard, I note that the Hon'ble Supreme Court in the matter of **SEBI v. Kishore R Ajmera**³ wherein the Hon'ble Apex Court, *inter alia*, held that

"22. It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and

³ (2016) 6 SCC 368

proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion.”

51. In this context, having regard to the volume, nature, and timing of the transactions in question and the position of Noticee No. 4 in the AMC, there is no doubt that Noticee Nos. 4 and 5 acted in connivance with other Noticees to encash the benefit of the non-public information regarding the impending sale of defaulted securities. Thus, a natural and logical inference that would follow is that the Noticee Nos. 4 and 5 would not have entered into the transactions in question, had it not been for the non-public information available to them.

52. With regard to the contention of the Noticee No. 4 that the Examination Report has noted that *“there is no material/documents available to establish that Mr. Deepen Doshi received information about impending sale of the defaulted securities of DHFL”*, I find it crucial to reproduce the relevant extract of the Examination Report below:

“....7.10. Although, there is no material/documents available to establish that Mr. Deepen Doshi received information about impending sale of the defaulted securities of DHFL, the following action of Mr. Deepen Doshi leads to conclusion that he was aware of the impending sale of defaulted securities and has subscribed to the aforesaid schemes based on such information only:

- a. In past he had last invested in aforesaid relevant scheme only during 2017 and thereafter, suddenly in June-2020 he redeemed/switched all his other mutual funds investment and invested in only one of the relevant scheme;*
- b. He had invested only in one relevant scheme (i.e. JM Low Duration Fund) which had highest jump (i.e. 19.85%) in the NAV post sale of defaulted securities of DHFL;*
- c. The subscription transactions were executed just few days before the sale of the defaulted securities;*
- d. In his reply, he also stated that JM Low Duration Fund was 100% invested in AAA/Sovereign securities and hence, investment was least exposed to*

credit risk which was very important in Covid times. On the contrary, defaulted securities of DHFL was part of the portfolio of scheme in which he made investment.”

53. In this regard, I note that Noticee No. 4 has selectively quoted a portion of the Examination Report while ignoring the other observations in the same Report. I note that the Examination Report needs to be read holistically. Therefore, such submissions by the Noticee No. 4 lack merit.

54. Therefore, this submission of the Noticee Nos. 4 and 5 is not accepted.

Repayment of outstanding loan

55. I note that Noticee No. 4 contended that he had an outstanding loan with HDFC jointly with his brother, and he decided to repay the loan amount by the end of June 2020 towards a full and final settlement. So, he redeemed his investment in the liquid and equity schemes of some mutual funds. However, he was informed by his bank that, due to COVID-19 pandemic, he had to wait for some time for the repayment of the loan since the repayment process required physical paperwork to be completed, and the staff of the bank was attending office physically due to the pandemic. Since Noticee No. 4 had already redeemed the amounts by this time, he decided to invest the sum for a short term period. Since the investment was short term, Noticee No. 4 did not desire to invest in equity instruments. Liquid funds were delivering returns similar to savings bank account rates, and liquid plus category appeared to be the best category to invest in. Hence, Noticee 4 decided to invest this sum in the JM Low Duration Fund. In support of his contention, Noticee No. 4 has cited the judgment of Hon'ble SAT in the matter of **Shreehas P. Tambe v. SEBI**⁴.

56. In this regard, I note that Noticee No. 4 has not provided any supporting documents regarding the redemption of his investment in “liquid and equity schemes of some mutual funds” and his communication with HDFC Bank wherein he was asked to wait for some time for the repayment of the loan.

⁴Appeal No. 491 of 2021 dated July 26, 2022.

57. Further, on perusal of the cheque adduced by Noticee No. 4, I find that Noticee No. 4 had repaid a loan to the tune of Rs. 23,95,886/-. Here, it is important to highlight that Noticee No. 4 had invested an amount of Rs. 37,50,554/- in the schemes holding defaulted securities in the period between June 23, 2020 to July 03, 2020. In this regard, I note that there is no explanation forthcoming in the submission of the Noticee No. 4 about this glaring difference in the amount.

58. In this context, I note that the fact that Noticee No. 4 subscribed to only those schemes that held defaulted securities of DHFL and that too only after the issuance of the SEBI Circular dated June 23, 2020 cannot be attributed to mere coincidence especially when we consider the unique trading pattern of the Noticee No. 1 and the fact that Noticee No. 4 was an employee of Noticee No. 6, an access person and was reporting directly to Noticee No. 1.

59. In this background, when the aforesaid undisputed factual observations are seen holistically, a picture that emerges based on the preponderance of probability is that the orders placed / trades executed by Noticee No. 4 would not have been placed/entered into by Noticee No. 4, had he not been in possession of or privy to the non-public information about the impending sale of the defaulted securities. As the subscription to the relevant schemes by Noticee No. 4 was based on non-public information and cannot be said to be bona fide, the reliance of the Noticee No. 4 on the judgment of the Hon'ble SAT in the matter of **Shreehas P. Tambe v. SEBI** is misplaced.

60. Therefore, this contention of the Noticee No. 4 is untenable.

Prior approval of the AMC was taken

61. The Noticee Nos. 1, 3, 4 and 5 have contended they had obtained the necessary approval from the AMC before executing the trades.

62. At the foremost, I note that the mere fact that the prior approval was taken from AMC i.e. Noticee No. 6 does not absolve the liability of the Noticee Nos. 1, 3, 4 and 5 from the instant allegation.

63. As noted above, Noticee Nos. 1 and 4 by virtue of their position in the AMC, Noticee No. 6 were privy to the information pertaining to the impending sale of defaulted securities. I note that the Noticee Nos. 1 and 4 have not disputed the fact that they have executed trades as mentioned in the SCN in the period between June 23, 2020 to July 02, 2020. Further, the conduct of Noticee Nos. 2, 3 and 5 who were the family members of Noticee Nos. 1 and 4 shows that Noticee Nos. 2, 3 and 5 had purchased in an otherwise abnormal manner the schemes having high exposure to the defaulted securities of DHFL.

64. Therefore, the contention of the Noticee Nos. 1 to 5 is untenable.

Trades of Noticee No. 1 after the email dated June 29, 2020 were too minuscule

65. Noticee No. 1 has contended that his transactions after the email dated June 29, 2020 were too minuscule in relation to his transactions before the said email to attract a serious charge of fraud. In this regard, I find it pertinent to mention that the framework of the extant regulations does not carve out any *de minimis* rule for any person on the basis of the value of the transactions. Thus, the contention that the quantity of their trade was too miniscule to warrant any charge of fraud under PFUTP Regulations is misplaced.

Notices continues to hold the relevant schemes

66. I note that Noticee Nos. 1 to 3 have contended that Noticee No. 1 continues to hold more than 94 percent of the investment made despite getting low annualized returns. Similarly, Noticee Nos. 2 and 3 continued to hold her investment in these schemes and had not even realized any gain despite having a low annualized return. I, further, note that Noticee No. 5 vide her reply dated December 15, 2022

has contended that she continues to hold her investment in these schemes and has not realized any gain.

67. It is noted that the issue here pertains to executing transactions based on non-public information regarding the impending sale of defaulted securities. I note that Noticee Nos. 1 to 5 have not disputed the transactions executed by them in the period between June 26, 2020 to July 03, 2020 in the SCN. It is a fact that Noticee Nos. 1 to 5 benefited from the unusual increase in the NAV of the relevant schemes. The relevant details in this regard are tabulated below:

Table 11

Scheme	Transaction Type	Amount invested between June 23, 2020 to July 06, 2020 by Noticee No. 1 (in Rs.)	Amount invested between June 23, 2020 to July 06, 2020 by Noticee No. 2 (in Rs.)	Amount invested between June 23, 2020 to July 06, 2020 by Noticee No. 3 (in Rs.)	Amount invested between June 23, 2020 to July 06, 2020 by Noticee No. 4 & 5 (in Rs.)	Increase in NAV in % on July 06, 2020
JM Ultra Short Duration Fund	Switch in	12,00,00,000	30,00,000	7,99,960	-	3.79%
JM Short Term Fund	Switch in	1,00,00,000	25,00,000	-	-	2.75%
JM Low Duration Fund	Switch in	1,00,00,000	19,00,000	-	47,50,554*	19.85%
JM Income Fund	Switch in	1,00,00,000	10,00,000	-	-	2.05%
JM Equity Hybrid Fund	Switch in	1,00,00,000	-	-	-	19.35%
JM Low Duration Fund	Additional Purchase	7,99,960	-	-	-	19.85%
Total		16,07,99,960	84,00,000	7,99,960	47,50,554	

*Noticee 4: Rs. 37,50,554 and Noticee 5: Rs. 10,00,000

68. In the absence of any explanation by the Noticee Nos. 1 to 5 to justify the peculiar manner in which their orders/switch were placed in advance of the impending sale

of the defaulted securities, it is established that the trades were based on non-public information. From the trading patterns of the Noticee Nos. 1 to 5 along with the aforesaid Table, it is apparent that the Noticee Nos. 1 to 5 executed transactions in the schemes confident in the knowledge that the sale of defaulted securities was imminent, which would enable them to make assured profits.

69. Therefore, the contention of the Noticee Nos. 1 to 5 cannot be accepted.

Finding on Issue I

70. The sequence of events and the abovementioned observations and findings connect the dots to lead to an inference as under:

70.1. Noticee No. 1 was the CEO of Noticee No. 6 in the relevant period. Further, Noticee No. 4, Head of Sales of Noticee No. 6 was the access person to Noticee No. 1. Noticee Nos. 2 and 3 were the mother and wife of the Noticee No. 1 respectively. Further, Noticee No. 5 was the mother of the Noticee No. 4.

70.2. It is fact that the Noticee Nos. 1 to 5 had no or very limited exposure to the relevant schemes of JMMF holding the defaulted securities before June 23, 2020.

70.3. From the email dated June 29, 2020 sent by Mr. Vikas Agarwal, it is noted the Noticee Nos. 6 has been in the process of selling the defaulted securities since January 2020. The said email also highlights that the Noticee Nos. 6 and 7 had decided to sell the defaulted securities. Mr. Vikas Agarwal on behalf of JMMF was looking after the sale of the defaulted securities and was reporting to Noticee No. 1. The fact that the said email was marked to the Noticee No. 1 has not been disputed.

70.4. In this regard, it is noted that Mr. Vikas Agarwal was in active discussion with a buyer in the period between January 2020 to June 23, 2020, wherein the probable price of the defaulted securities was also discussed.

70.5. SEBI vide Circular dated June 23, 2020 allowed transactions in matured downgraded securities which paved the way for the sale of defaulted securities.

70.6. It is a fact that Noticee No. 1, CEO of Noticee No. 6 and Noticee No. 4, Head of Sales were associated with the securities market and in that capacity, they were conscious of the various dynamics and functioning of the market. Therefore, the Noticee Nos. 1 and 4 were very well aware of the consequent market impact of the Circular dated June 23, 2020 on the relevant schemes holding the defaulted securities. In spite of being aware of the potential impact of the sale of defaulted securities on the schemes and being privy to the non-public information including the imminent sale and probable price regarding the defaulted securities, Noticee Nos. 1 and 4 instead of being careful and diligent in handling the said information not only communicated the same to their family members i.e. Noticee Nos. 2, 3 and 5 but also induced them to purchase/switch in the schemes having exposure to defaulted securities. Further, Noticee Nos. 1 and 4 themselves purchased/ switched in these schemes holding defaulted securities.

70.7. I note that the said email dated June 29, 2020, further, highlighted the urgency of Mr. Vikas Agarwal to sell the defaulted securities. Further, the probable market price of the defaulted securities was also mentioned in the said email.

70.8. After the receipt of the said email dated June 29, 2020, Noticee No. 1 made additional purchases in the scheme holding the defaulted securities on July 02, 2020. It is noted that Noticee No. 3, the wife of Noticee No. 1 also switched in the scheme holding the defaulted securities on July 02, 2020.

71. In addition to the aforesaid findings, from the trading pattern of the Noticee Nos. 1 to 5, it is noted the Noticee Nos. 1 to 5 have purchased in an otherwise abnormal manner the schemes holding defaulted securities. The Noticee Nos. 1 to 5 had

none or very limited exposure to the schemes holding the defaulted securities before June 23, 2020. In this regard, the proximity of time in placing the orders by the Noticee Nos. 1 to 5 in the relevant schemes holding the defaulted securities at the same time cannot be attributed to mere coincidence. As noted above, the Noticee Nos. 1 to 5 have not been able to show what their rationale was in subscribing to the relevant schemes in the period from June 23, 2020 to July 03, 2020. In this background, I note that the Hon'ble Supreme Court in the matter of **SEBI v. Shri Kanaiyalal Baldevbhai Patel and others**⁵, *inter alia*, held as under:

"The inferential conclusion from the proved and admitted facts, so long the same are reasonable and can be legitimately arrived at on a consideration of the totality of the materials, would be permissible and legally justified. Having regard to the facts of the present cases i.e. the volume of shares sold and purchased; the proximity of time between the transactions of sale and purchase and the repeated 16 nature of transactions on different dates, in my considered view, would irresistibly lead to an inference that the conduct of the respondents in Appeal Nos.2595 of 2013, 2596 of 2013 and 2666 of 2013 and appellants in Appeal Nos.5829 of 2014 and 11195-11196 of 2014 were in breach of the code of business integrity in the securities market."

72. Further, Hon'ble Supreme Court in the matter of **SEBI v. Kishore R Ajmera**⁶, *inter alia*, held that:

"22. It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the

⁵ (2017) 15 SCC 1.

⁶ (2016) 6 SCC 368.

charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion.”

73. When the aforesaid undisputed factual observations are seen holistically, a picture that emerges on the basis of preponderance of probability is that the transactions executed by Noticee Nos. 1 to 5 in specific schemes would not have been placed/entered into by them had they not been in possession of or privy to the non-public information about the impending sale of defaulted securities.

74. Therefore, I find that the Noticee Nos. 1 to 5 acted on and profited from non-public information regarding the impending sale of the defaulted securities. By misusing their position, which involved access to confidential information regarding the impending sale of defaulted securities, Noticee Nos. 1 and 4 induced Noticee Nos. 2, 3 and 5 so that only Noticee Nos. 1 to 5 benefited from prior knowledge of the probable price of the defaulted securities and timing of the sale of defaulted securities. Thus, Noticee Nos. 1 to 5 have distorted the market by executing non-genuine trades that guaranteed certain profits on account of the non-public information selectively available to them. The transactions by the Noticee Nos. 1 to 5 disturbed market equilibrium and impaired the rights of the investors at large, by taking unfair advantage of the information which was not available to the general public.

75. Therefore, it is established that the Noticee Nos. 1 to 5 have Regulations 3(a), 4(1) and 4(2)(q) of PFUTP Regulations read with Section 12A(e) of SEBI Act.

Issue II: Whether the investment by Noticee Nos. 1 to 5 in the relevant schemes before the impending sale of the defaulted securities, when such information was not communicated to the public, was in contravention of Clause E(3)(d) of SEBI Circular dated November 17, 2016?

Issue III: Whether Noticee No. 6, by clearing all the transactions of the Noticee Nos. 1 to 5 after June 23, 2020 in the relevant schemes before the impending sale of the defaulted securities, when such information was not communicated to the public has violated Clause E(3)(d) of the SEBI Circular dated November 17, 2016?

76. It was alleged in the SCN that the investment by Noticee Nos. 1 to 5 in the relevant schemes before sale of the defaulted securities was in violation of Clause E(3)(d) of SEBI Circular dated November 17, 2016.

77. In this regard, I note that JMMF valued the defaulted securities 'Nil' vide disclosure dated October 30, 2019. From the discussions in the previous paragraphs, it is noted that Noticee Nos. 6 and 7 have been searching for a buyer of the defaulted securities since January 2020. Though the sale, if any, could not have materialised then, the said discussion gave an indication as to the expected price of the defaulted securities and the willingness of Noticee No. 6 to sell the defaulted securities at the earliest. There is no dispute regarding the fact that the said discussion was not shared with the unitholders.

78. I note that the sale of the defaulted securities got further impetus with the issuance of the SEBI Circular dated June 23, 2020. As noted from the email dated June 29, 2020, Mr. Vikas Agarwal who was looking after the sale of defaulted securities on behalf of Noticee No. 6 had re-engaged with the potential buyers and was trying to get a reasonable bid price in the range of Rs. 20-24.

79. I note that Noticee No. 6 has contended that the email dated June 29, 2020 categorically and *ex facie* makes it clear that there was no likelihood of sale happening at that time. In this regard, I note that the email dated June 29, 2020 from Mr. Vikas Agarwal mentioned that "*it will be really difficult to get a bid*". It is noted that the said email nowhere mentions the fact that there was no likelihood of defaulted securities being sold. Further, I note that the said email dated June 29, 2020 also shows that Mr. Vikas Agarwal was re-engaging with all the potential

buyers and trying his best to get a reasonable bid price in a range of Rs. 20-24. Further, he also highlighted the fact that a bid in the range of Rs. 20-24 would be a very reasonable opportunity to “*immediately*” strike the deal. It is, also, pertinent to mention that the said email has also underscored that the few trades with low volumes had happened in the price range of Rs. 16-24 for the non-matured defaulted securities during March - April, 2020. It is important to remember that a buyer for the defaulted securities was found on July 6, 2020, which is one week after the aforementioned email. Furthermore, the sale was carried out right away in the price range specified in the aforementioned email, which was between Rs. 22.35 and Rs. 22.47. Therefore, the contention of the Noticee No. 6 that the email dated June 29, 2020 categorically and *ex facie* made it clear that there was no likelihood of the sale happening cannot be accepted as factually correct.

80. The Noticee No. 6 has contended that the 2016 Circular refers to the “likelihood of a change in the accounting policy” and a “significant change in the valuation of an asset”. In this context, Noticee No. 6 has contended that the 2016 Circular only prohibits trading by employees when there is a “significant change” in valuation.

81. I note that Clause E(3)(d) of SEBI Circular dated November 17, 2016, *inter alia*, reads as under:

“ ...

d. There is a likelihood of a change in the accounting policy, or a significant change in the valuation of any asset, or class of assets and the same has not been communicated to the investors;” (Emphasis supplied)

82. Here, I note that the Hon’ble Supreme Court in the matter of **S. Gopal Reddy v. State Of Andhra Pradesh** ⁷ had, *inter alia*, held that:

“It is a well-known rule of interpretation of statutes that the text and the context of the entire Act must be looked into while interpreting any of the expressions used in a statute. The courts must look to the object which the statute seeks to

⁷ 1996 (4) SCC 596

achieve while interpreting any of the provisions of the Act. A purposive approach for interpreting the Act is necessary. “

83. In this regard, it is pertinent to take note of the objective of the 2016 Circular which, *inter alia*, reads as follows:

“B. The objectives and principles of these Guidelines are:

1.To ensure that all securities transactions made by employees in their personal capacity are conducted in consonance with these Guidelines and in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual’s position of trust and responsibility.

2.The employees of AMC(s) and Trustees especially Access Persons shall not take undue advantage of any price sensitive information that they may have about any company. ...” (Emphasis supplied)

84. In this context, I note that the 2016 Circular, *inter alia*, envisages to ensure that the employees of AMC and Trustee avoid conflicts of interest or misuse of their positions. Further, it seeks to refrain the employees of AMC and Trustees from exploiting any confidential price-sensitive information they possess about the companies. Therefore, there is no iota of doubt that the 2016 Circular, *inter alia*, comes into play when there is “a likelihood of a significant change in the valuation of an asset” not just when there is “a significant change in the valuation of an asset” as contended by the Noticee No. 6. In this context, I note that if the contention of the Noticee No. 6 is accepted, it will tantamount to a restricted view of the ambit of the said 2016 Circular, which may not align with the objective of the 2016 Circular. Therefore, this contention of the Noticee No. 6 is untenable.

85. In this background, as noted in the previous paragraphs, JMMF has been looking to sell the defaulted securities since January 2020. Further, as mentioned in the minutes of the board meeting of Noticee No. 6 held on January 16, 2020, the board of directors of Noticee No. 6 was to be kept updated with any developments on the defaulted securities. As noted in the June 29, 2020 email, Mr. Vikas Agarwal on behalf of JMMF has been actively looking for buyers of the defaulted securities

since January 2020. He was looking for a buyer in the range of Rs. 20 - 24 for the defaulted securities valued 'Nil'. Therefore, there was a real likelihood of a significant increase in the value of the defaulted securities especially, after the SEBI Circular dated June 23, 2020.

86. In this context, I note that there is no dispute regarding the fact that this information about the impending sale of defaulted securities was not in the public domain. Despite there being a real likelihood of a significant change in the valuation of the defaulted securities which was not communicated to the public, it is noted that Noticee Nos. 1 to 5 had invested in the relevant schemes holding defaulted securities in the period between June 23, 2020 to July 03, 2020. It is important to mention that the said investment of Noticee Nos. 1, 3, 4 and 5 in the period between June 23, 2020 to July 03, 2020 was approved by the Noticee No. 5 in terms of the 2016 Circular. The relevant details in this regard, as noted from the submissions of the Noticees and material on record, are tabulated below:

Table 12

Sr. No.	Name of the employee/relative who requested for transactions	Date and Time of request	Date and Time of approval	Value of the transactions (Rs. in crore)	Name of the scheme in which transaction is proposed
1.	Bhanu Katoch	26.06.2020 at 8:58AM	26.06.2020 at 9:19AM	12.00	JM Ultra Short Duration Fund- Direct - Growth
2.	Bhanu Katoch	26.06.2020 at 8:58AM	26.06.2020 at 9:19AM	1.00	JM Short Term Fund- Direct - Growth
3.	Bhanu Katoch	26.06.2020 at 8:58AM	26.06.2020 at 9:19AM	1.00	JM Low Duration Fund- Direct - Growth
4.	Bhanu Katoch	26.06.2020 at 8:58AM	26.06.2020 at 9:19AM	1.00	JM Income Fund- Direct - Growth
5.	Bhanu Katoch	26.06.2020 at 8:58AM	26.06.2020 at 9:19AM	1.00	JM Equity Hybrid Fund- Direct - Growth

Sr. No.	Name of the employee/relative who requested for transactions	Date and Time of request	Date and Time of approval	Value of the transactions (Rs. in crore)	Name of the scheme in which transaction is proposed
6.	Bhanu Katoch	02.07.2020 (Physical Form submitted with no date and time mentioned)	No date and time mentioned in the Physical Form 'Annexure A' through which approval was taken	0.08	JM Low Duration the Fund- Direct- Growth
7.	Sharika Kher	02.07.2020 (Physical Form submitted with no date and time mentioned)	No date and time mentioned in the Physical Form 'Annexure A' through which approval was taken	0.08	JM Ultra Short Duration Fund- Direct - Growth
8	Deepen Doshi	26.06.2020 at 11:09 AM	26.06.2020 at 11:28 AM	0.15	JM Low Duration Fund- Direct - Growth
9	Deepen Doshi	29.06.2020 at 11:37 AM	29.06.2020 at 06:01 PM	0.22	JM Low Duration Fund- Direct - Growth
10	Aruna Doshi	26.06.2020 at 11:12 AM	27.06.2020 at 12:43 PM	0.10	JM Low Duration Fund- Direct - Growth

87. From the abovementioned Table, it is noted that Noticee No. 2 has not taken approval in terms of the 2016 Circular before placing the switch request on June 29, 2020. The said fact has not been disputed in the replies of the Noticees. In this regard, it is noted from the material on record, including the email dated May 13, 2022 of Noticee No. 1 that Noticee No. 2 used to consult Noticee No. 1 while making decisions relating to subscriptions in the relevant schemes. Therefore,

Noticee No. 2 falls within the ambit of relative under the 2016 SEBI Circular and the said 2016 SEBI Circular was applicable to the Noticee No. 2.

88. Further, I note that there is no date or time was ascribed on the Physical Forms i.e. 'Annexure A' through which Noticee Nos. 1 and 3 allegedly obtained approval from the Noticee No. 6 on July 02, 2020. The said fact casts a serious aspersion regarding the date and time of the said Physical Forms.

89. With regard to the submission of the Noticee No. 6 that there is nothing on record to indicate that any undue benefit was drawn, I note that on account of the aforesaid lapses by the Noticee No. 6, the following benefit was accrued to Noticee Nos. 1 to 5:

Table 13

Noticee	Notional Gain
Noticee No. 1	Rs. 91,50,054
Noticee No. 2	Rs. 5,80,819
Noticee No. 3	Rs. 30,344
Noticee No. 4	Rs. 7,45,512
Noticee No. 5	Rs. 1,98,794

90. Therefore, this contention of the Noticee No. 6 cannot be accepted.

Finding on Issue Nos. II and III

91. From the discussions and observations made in the preceding paragraphs, I find that the Noticee Nos. 1 to 5 were subscribing units in the schemes in the period between June 23, 2020 to July 03, 2020 when there is a likelihood of a significant change in the valuation of the defaulted securities on account of their impending sale. It is noted that information regarding the impending sale of the defaulted securities was not communicated to the investors. Therefore, Noticee Nos. 1 to 5 have violated Clause E(3)(d) of SEBI Circular dated November 17, 2016.

92. Further, I note that in terms of Clause I of the 2016 SEBI Circular, it is, *inter alia*, incumbent on the Board of the AMC to ensure compliance with the Guidelines on a continuous basis. In the matter at hand, it is noted that Noticee No. 6 has failed to ensure compliance with the 2016 SEBI Circular by allowing Noticee Nos. 1 to 5 to invest in the schemes holding defaulted securities. It is important to mention that Noticee No. 2 had subscribed to the schemes holding defaulted securities without any approval of Noticee No. 6 in terms of 2016 SEBI Circular.

93. In this context, I find that the Noticee No. 6 has violated Clause E(3)(d) of SEBI Circular dated November 17, 2016.

Issue IV: Whether Noticee Nos. 6 and 7, by failing to disclose to investors about the change in valuation of defaulted securities/sale of securities, did not provide adequate and timely information to investors about the general affairs of the scheme and thereby violated Clause 2 of Fifth Schedule to the MF Regulations?

94. In the SCN, it was alleged that by failing to disclose to investors the change in valuation of defaulted securities/sale of securities of DHFL, Noticee Nos. 6 and 7 had not provided adequate and timely information to investors about the general affairs of the scheme i.e. about the change in valuation of defaulted securities/sale of securities.

95. From the material on record, it is noted that after the sale of the defaulted securities on July 06, 2020, the effect of the sale of defaulted securities was duly reflected in the daily disclosure of the NAV on the websites of Noticee No. 6 and AMFI on the same date. Further, it is not disputed that the details regarding the sale of the defaulted securities was disclosed in the Annual Report for FY 2020-21 dated April 28, 2021.

96. In this regard, I note that it is not disputed that the reason for the sudden increase in the NAV was neither mentioned on the website of Noticee No. 6 nor on the website of AMFI on July 06, 2020.

97. In this background, I note that Noticee Nos. 6 and 7 have submitted the various submissions. The said submissions are discussed under for brevity:

Contents of the SCN are vague

98. The Noticee Nos. 6 and 7 have submitted that the SCN is vague as the SCN does not identify the date on which the alleged non-disclosure ought to have been made. In support of the contention, Noticee Nos. 6 and 7 have cited the judgments of the Hon'ble Supreme Court in the matter of **Canara Bank v. Debasis Das** and **UMC Technologies Pvt. Ltd. v. FCI** along with the order of Hon'ble SAT in the matters of **Dhanalakshmi Bank v. SEBI** and **Swaranganga Trading Pvt. Ltd. v. SEBI**.

99. In this regard, I note that paragraph 6.5. of the SCN, *inter alia*, reads as under:

“6.5. Since, the defaulted securities of DHFL carried Nil valuation in the schemes, an adequate and timely information about the general affairs of the schemes was required to be informed to the investors of the schemes in terms of Clause -2 of Schedule V to SEBI (Mutual Funds) Regulations, 1996 which requires that Trustees and AMC must ensure the dissemination to all unit holders of adequate, accurate, explicit and timely information fairly presented in a simple language about the investment policies, investment objectives, financial position and general affairs of the scheme. Hence, it is alleged that by failing to disclose to investors about the change in valuation of defaulted securities/sale of securities of DHFL, the AMC and Trustee had not provided adequate and timely information to investors about general affairs of the scheme and thereby violated the provisions of Clause -2 of Schedule V to SEBI (Mutual Funds) Regulations, 1996.”

100. Here, I note that SCN issued to the Noticees clearly indicates the specific nature of the alleged violations in terms of different provisions of the MF Regulations. In regard to the present allegation, it is mentioned in the SCN that Noticee Nos. 6 and 7 where to disseminate adequate, accurate, explicit and timely information fairly to all unit holders about the change in valuation of defaulted securities/sale

of securities of DHFL. Accordingly, the Noticee Nos. 6 and 7 were duty bound to make disclosure on the day when there was a change in valuation of defaulted securities/sale of securities of DHFL i.e. on July 06, 2020. Further, I find that the SCN provides all necessary documents in support of the allegations made therein.

101. In this context, I note that the judgments cited by the Noticee would not apply to the extant matter, as the SCN clearly lays out the allegations and provides details thereof, including supporting documents.

102. Hence, this contention of the Noticee Nos. 6 and 7 is not acceptable.

Does not fall within the ambit of “general affairs”

103. The Noticee Nos. 6 and 7 have submitted that the sale of the defaulted securities does not fall within the purview of general affairs. Further, the Noticee No. 6 has contended that the requirements in terms of Clause 2 of Fifth Schedule of the MF Regulations are not akin to or comparable with the type of disclosures mandated in other regulations of SEBI (such as the SEBI (Prohibition of Insider Trading) Regulations, 2015 or the SEBI (Listing Obligations and Disclosure Requirements), 2015) which provide for event-based or threshold-based disclosures within a specified time-frame. Fifth Schedule of the MF Regulations sets out general obligations to be discharged by the Noticee, which is in the nature of a ‘Code of Conduct’. Noticees, further, contended that such a case, it would wholly defeat the purpose of the same to read it so narrowly.

104. I note that Hon’ble Karnataka High Court in the matter of **Securities Exchange Board of India v. Franklin Templeton Trustees Services⁸**, *inter alia*, noted that

“...Mutual Funds Regulations, being framed under SEBI Act, is a piece of subordinate/delegated Social Welfare Legislation as SEBI Act, as held by the Apex Court, is itself a Social Welfare Legislation ...”

⁸ 2020 SCC OnLine Kar 1650.

105. In this regard, it is noted that the Hon'ble Supreme Court in the matter of **Securities Exchange Board of India v. Ajay Agarwal**⁹, *inter alia*, held that:

"... It is a well-known canon of construction that when Court is called upon to interpret provisions of a social welfare legislation the paramount duty of the Court is to adopt such an interpretation as to further the purposes of law and if possible eschew the one which frustrates it. ..."

106. In this context, I note that transparency is of vital importance for intermediaries, especially Mutual Funds. The unit holders at large have an inherent right to how their money is being utilised and about the transactions which have a significant bearing on the NAV of the schemes. Such disclosure obligations under the MF Regulations have been imposed on the AMC and the Trustees to ensure that existing and prospective investors are fully aware of all the relevant information. Therefore, one cannot resort to narrow interpretations of the MF Regulations.

107. Coming to the ambit of "general affairs", I note that in **Biharilal Rada v. Anil Jain**¹⁰, the Supreme Court cited the following definition of "general" from Black's Law Dictionary:

"... It relates to the whole kind, class, or order. ... Pertaining to or designating the genus or class, as distinguished from that which characterises the species or individual; universal, not particularised, as opposed to special; principal or central, as opposed to local; open or available to all, as opposed to select; obtaining commonly, or recognised universally, as opposed to particular; universal or unbounded, as opposed to limited; comprehending the whole or directed to the whole, as distinguished from anything applying to or designed for a portion only. Extensive or common to many."

108. In this regard, I note that the sale of defaulted securities caused a precipitous increase in the NAV of the relevant schemes. As noted above, there was no reason forthcoming from the Noticee Nos. 6 and 7, on July 06, 2020, for the said sudden

⁹ (2010) 3 SCC 765.

¹⁰ (2009) 4 SCC 1.

increase in the NAV of the relevant schemes apart from reflecting the same in the NAV of the schemes. The reasons for disclosing the same gain more significance because vide disclosure dated October 30, 2019, Noticee No. 6 had informed the investors regarding the haircut being increased to 100% for the defaulted securities. I note that pursuant to the said disclosure dated October 30, 2019, the defaulted securities were marked as 'Nil'. Thus, if any sale of the defaulted securities was executed by the Noticee Nos. 6 and 7, the said information not just had a bearing on the NAV but also affected the interest of unit holders. In this background, I note that the duty of the Noticee Nos. 6 and 7 to disclose to the investors the change in valuation of defaulted securities/sale of securities squarely falls within the ambit of "*general affairs*".

109. Therefore, this contention of the Noticee Nos. 6 and 7 is untenable.

Duly reported by media on July 09, 2020

110. The Noticee Nos. 6 and 7 have contended that the details of the defaulted securities were duly reported by a section of the media on July 09, 2020. In this regard, I note that under the scheme of MF Regulations, it was incumbent upon the Noticee Nos. 6 and 7 to disseminate information regarding its general affairs by providing reasons to the unitholders for the sudden increase in the NAV.

111. In this regard, I note that Hon'ble SAT in the matter of **Premchand Shah and Others v. SEBI**¹¹, *inter alia*, held as under: "...When a law prescribes a manner in which a thing is to be done, it must be done only in that manner..."

112. Therefore, the Noticee Nos. 6 and 7 cannot escape from their duty by contending that the details of the defaulted securities were duly reported by a section of the media on July 09, 2020.

¹¹ Appeal No. 192 of 2010 dated February 21, 2011.

Role and Responsibility of Trustee not considered

113. Noticee No. 7 has contended that the SCN has not appreciated the role and responsibilities of the Trustee in terms of Regulation 18 of MF Regulations and has mechanically ascribed fault to it in the same terms as AMC.

114. In this regard, I note that sub Regulation 22 of Regulation 18 of the MF Regulation, *inter alia*, provides as under:

“18. (22) The trustees shall abide by the Code of Conduct as specified in PART-A of the Fifth Schedule.”

115. On perusal of the said sub Regulation, it is noted that the trustees are bound by the Code of Conduct specified in the Fifth Schedule of MF Regulations which includes the Clause 2 of the Fifth Schedule to MF Regulations. In this context, the Noticee No. 7 along with Noticee No. 6 was equally responsible to disseminate information regarding the sudden increase in NAV on July 06, 2020 in terms of Clause 2 of the Fifth Schedule to MF Regulations.

116. Thus, this contention of the Noticee No. 6 that the fault has been mechanically ascribed is not accepted.

Finding on Issue No. IV

117. In this context, there can be no iota of doubt that it was the duty of Noticee Nos. 6 and 7 to disseminate to all the unit-holders accurate, adequate, explicit and timely information about the general affairs of the Schemes of a Mutual Fund which includes reasons for the sudden increase in the NAV of the schemes. This disclosure regarding the sale of defaulted securities becomes more important in light of the disclosure dated October 30, 2019 where Noticee No. 6 informed the investors regarding the haircut being increased to 100% for the defaulted securities. I note that Noticee No. 6 and 7 cannot abdicate their responsibility of

disclosing to the investors at large by merely averring that the sale of defaulted securities had a positive impact on the NAV. No doubt Noticee Nos. 6 and 7 had disclosed relevant information in the Annual Report for FY 2020-21 regarding the sale of defaulted securities, but the fact remains that the said Annual Report was issued on April 10, 2021 i.e. almost nine months after the sale of defaulted securities.

118. In light of aforesaid discussions, I note that it was incumbent upon the Noticee Nos. 6 and 7 to disseminate adequate, explicit and timely information regarding its general affairs by providing reasons to the unitholders for the sudden increase in the NAV on July 06, 2020 which the Noticee Nos. 6 and 7 have failed to do.

119. Therefore, it is established that the Noticee Nos. 6 and 7 have violated Clause 2 of Fifth Schedule to MF Regulations.

Issue V: Do the violations, if any, on the part of the Noticees attract monetary penalty under Sections 15HA and 15HB of the SEBI Act on Noticee Nos. 1 to 5, under Sections 15E, 15D(b) and 15HB of the SEBI Act on Noticee No. 6 and under Sections 15D(b) and 15 HB of the SEBI Act on Noticee No. 7?

120. From the previous paragraphs, it is noted that the allegations of violation of Regulations 3(a), 4(1) and 4(2)(n) of PFUTP Regulations read with Section 12A(e) of SEBI Act and Clause E(3)(d) of SEBI Circular dated November 17, 2016 has been established.

121. It is, further, noted that the allegations of violation of SEBI Circular dated November 17, 2016 and Clause 2 of Fifth Schedule to MF Regulations by Noticee No. 6 have been established.

122. Furthermore, it is noted that the allegations of violation of Clause 2 of Fifth Schedule to MF Regulations by Noticee No. 7 have been established.

123. I note that Noticee Nos. 6 and 7 have contended that Section 15D (b) of the SEBI Act is applicable only against a Mutual Fund. As Noticee Nos. 6 and 7 are not registered as Mutual Funds, the said provision cannot be invoked against them. The Noticee No. 6 has further submitted that Section 15E of the SEBI Act cannot be invoked along with Section 15 HB of the SEBI Act.

124. In this regard, I note that a residuary provision for the imposition of a monetary penalty is only invoked when a specific provision is not available. From the scheme of the SEBI Act, it is clear that Section 15HB of the SEBI Act is a residual provision and the said provision applies when any other penalty provisions of Chapter VIA are not applicable.

125. In this context, I note that Section 15D(b) of the SEBI Act, *inter alia*, reads as under:

“15D. If any person, who is—

.....

(b) registered with the Board as a collective investment scheme, including mutual funds, for sponsoring or carrying on any investment scheme, fails to comply with the terms and conditions of certificate of registration, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees.”

126. On perusal of the said provision, it is noted that Section 15D(b) of the SEBI Act applies where a collective investment scheme, including mutual fund registered for sponsoring or carrying on any investment scheme fails to comply with the terms and conditions of the certificate of registration. In this regard, I take note of the then 2(q) of MF Regulations which reads as under:

““mutual fund” means a fund established in the form of a trust to raise monies through the sale of units to the public or a section of the public under one or more schemes for investing in securities, money market instruments, gold or gold related instruments, real estate assets and such other assets and instruments as may be specified by the Board from time to time:”

127. In this background, I accept the contention of the Noticee Nos. 6 and 7 regarding the applicability of Section 15D(b) of the SEBI Act. Accordingly, I find that Noticee No. 6 is liable for payment of a monetary penalty in terms of Section 15E of the SEBI Act for the violation of SEBI Circular dated November 17, 2016 and Clause 2 of Fifth Schedule to MF Regulations. Further, Noticee No. 7 is liable for payment of a monetary penalty in terms of Section 15HB of the SEBI Act for the violation of Clause 2 of Fifth Schedule to MF Regulations.

128. The Noticees have contended that the instant matter does not warrant the imposition of a penalty. In support of their contention, Notices have relied on the order of the Hon'ble SAT in the matter of **Piramal Enterprise v. SEBI** along with the Orders of the Adjudicating Officer in the matter of HDFC(RTA) and Punjab National Bank.

129. I have perused the order of the Hon'ble SAT and the Adjudication Order referred to by the Noticees. In this context, I take note of the decision of the Hon'ble Supreme Court in the matter of **The Chairman, SEBI v. Shriram Mutual Fund & Anr.**¹² wherein it was, *inter alia*, held: ***"In our view, the penalty is attracted as soon as contravention of the statutory obligations as contemplated by the Act is established and, therefore, the intention of the parties committing such violation becomes immaterial."*** (Emphasis supplied)

130. In light of the aforesaid judgment, I note that the penalty is attracted as soon as contravention of the statutory obligations as contemplated by the Act is established. Further, I note that in the matter of **SEBI v. Sandip Ray**¹³, Hon'ble Supreme Court, *inter alia*, held as under:

"Learned counsel for appellant further submits that even review application filed to make a correction in the order and to justify that the order reducing the penalty below Rs. 1,00,000/- is not permissible under Section 15HB of the SEBI Act, 1992. After we have heard learned counsel for the appellant, it clearly

¹² 2006 (5) SCC 361.

¹³ Civil Appeal No. 791 of 2023.

manifests that the Tribunal has not taken into consideration the effect and mandate of Section 15HB of the SEBI Act, 1992. Taking into consideration the facts and circumstances of this case, there appears no justification in calling upon the respondent and we modify the order impugned dated 29.07.2022 and the penalty of Rs.75,000/-as inflicted upon noticee no.5 (Mr. Sandip Ray) and noticee no.6 (Mr. Rajkumar Sharma), as referred to in para no. 13 of the order impugned, is modified and substituted to Rs.1,00,000/-in terms of Section 15HB of SEBI Act, 1992 and with this modification the present appeals stand disposed of.”

131. Therefore, I find no merit in this contention of the Noticees.

132. In this background, I find that the Noticees are liable for imposition under the following provisions of the SEBI Act for the violations mentioned in the previous paragraphs:

Table 14

Name of Noticee	Violation	Penalty Provision
Noticee No. 1	Regulations 3(a), 4(1) and 4(2)(q) of PFUTP Regulations read with Section 12A(e) of SEBI Act	Section 15HA of SEBI Act
	Clause E(3)(d) of SEBI Circular dated November 17, 2016	Section 15HB of SEBI Act
Noticee No. 2	Regulations 3(a), 4(1) and 4(2)(q) of PFUTP Regulations read with Section 12A(e) of SEBI Act	Section 15HA of SEBI Act
	Clause E(3)(d) of SEBI Circular dated November 17, 2016	Section 15HB of SEBI Act
Noticee No. 3	Regulations 3(a), 4(1) and 4(2)(q) of PFUTP Regulations read with Section 12A(e) of SEBI Act	Section 15HA of SEBI Act
	Clause E(3)(d) of SEBI Circular dated November 17, 2016	Section 15HB of SEBI Act
Noticee No. 4	Regulations 3(a), 4(1) and 4(2)(q) of PFUTP Regulations read with Section 12A(e) of SEBI Act	Section 15HA of SEBI Act

	Clause E(3)(d) of SEBI Circular dated November 17, 2016	Section 15HB of SEBI Act
Noticee No. 5	Regulations 3(a), 4(1) and 4(2)(q) of PFUTP Regulations read with Section 12A(e) of SEBI Act	Section 15HA of SEBI Act
	Clause E(3)(d) of SEBI Circular dated November 17, 2016	Section 15HB of SEBI Act
Noticee No. 6	SEBI Circular dated November 17, 2016	Section 15E of SEBI Act
	Clause 2 of Fifth Schedule to MF Regulations	
Noticee No. 7	Clause 2 of Fifth Schedule to MF Regulations	Section 15HB of SEBI Act

133. The text of the Sections 15E, 15HA and 15HB of the SEBI Act are reproduced as under:

“SEBI ACT

Penalty for failure to observe rules and regulations by an asset management company.

15E. Where any asset management company of a mutual fund registered under this Act, fails to comply with any of the regulations providing for restrictions on the activities of the asset management companies, such asset management company shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees.

Penalty for fraudulent and unfair trade practices

15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

Penalty for contravention where no separate penalty has been provided.

15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.”

Issue VI. If so, what would be the quantum of monetary penalty that can be imposed on the Noticees after taking into consideration the factors mentioned in Section 15J of the SEBI Act?

134. While determining the quantum of penalty under the aforesaid provisions of the SEBI Act, it is important to consider the factors stipulated in Section 15J of SEBI Act, which reads as under:

“Factors to be taken into account while adjudging quantum of penalty.

15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely: —

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default.”

Factors Considered While Imposing Penalty

135. With regard to the above factors to be considered, I note that the material made available on record has not quantified the amount of loss suffered by the investors as a result of the aforementioned act of the Noticees Nos. 1 to 7. Moreover, there is nothing on record to show that the violations committed by the Noticee Nos. 1 to 7 are repetitive in nature.

136. I note that market efficiency is contingent on fair trade practices and a level playing field in terms of information available to all market participants including unitholders. I note that the Noticee Nos. 1 and 4 held important positions as Chief Executive Officer and Head of Institutional Sales, respectively, during the examination period. By virtue of their positions, they were privy to non-public material information regarding the impending sale of defaulted securities of DHFL. However, Noticee Nos. 1 and 4 by putting their interests over the interests of unitholders, have misused their positions and taken undue benefits out of the same. Therefore, the conduct of Noticee Nos. 1 and 4 was not in accordance with

the standards of integrity, fairness and professionalism expected of an employee holding such a senior position in the AMC. In this regard, I note that the material available on record has quantified the amount of notional gain made by the Noticee Nos. 1 to 5 which were as follows:

Table 15

Noticees Name	Notional Gain
Noticee No. 1	Rs. 91,50,054
Noticee No. 2	Rs. 5,80,819
Noticee No. 3	Rs. 30,344
Noticee No. 4	Rs. 7,45,512
Noticee No. 5	Rs. 1,98,794

137. It is noted that in the three tier structure of Mutual Fund, the trustees hold the funds on behalf of investors on trust and the AMC is entrusted with the responsibility of managing the fund. The Trustees are guardians of the funds of investors and to protect the interests of all the investors they are expected to exercise fiduciary duties of trust and ensure fairness to all investors. Given that the AMC manages the funds of the schemes, it needs to be reiterated and emphasized that the Board of the AMC is accountable for ensuring that the interests of the unitholders are protected. Thus, the Noticee Nos. 6 and 7, being under such obligation, ought to have acted in a manner that subserves the said mandate. However, they not only failed to comply with the legal provisions but also failed to fulfil their fiduciary responsibilities.

138. Therefore, the violations committed by the Noticee Nos. 1 to 7 must be viewed seriously and no lenient view should be taken in this matter. It deserves the imposition of a monetary penalty proportionate to the default, as found in this case.

J. ORDER

139. In view of the above observations/findings, after considering all the facts and circumstances of the case and exercising the powers conferred upon me under

Section 15-I of the SEBI Act and Rule 5 of Adjudication Rules, I, hereby, impose the following penalty on Noticees:

Table 16

Name of Noticee	Violation	Penalty Provision	Amount (in Rs.)
Noticee No. 1	Regulations 3(a), 4(1) and 4(2)(q) of PFUTP Regulations read with Section 12A(e) of SEBI Act	Section 15HA of SEBI Act	Rs. 1,00,00,000/- (Rupees One Crore)
	Clause E(3)(d) of SEBI Circular dated November 17, 2016	Section 15HB of SEBI Act	Rs. 10,00,000/- (Rupees Ten Lakhs)
Noticee No. 2	Regulations 3(a), 4(1) and 4(2)(q) of PFUTP Regulations read with Section 12A(e) of SEBI Act	Section 15HA of SEBI Act	Rs. 14,00,000/- (Rupees Fourteen Lakhs)
	Clause E(3)(d) of SEBI Circular dated November 17, 2016	Section 15HB of SEBI Act	Rs. 3,00,000/- (Rupees Three Lakhs)
Noticee No. 3	Regulations 3(a), 4(1) and 4(2)(q) of PFUTP Regulations read with Section 12A(e) of SEBI Act	Section 15HA of SEBI Act	Rs. 6,00,000/- (Rupees Six Lakhs)
	Clause E(3)(d) of SEBI Circular dated November 17, 2016	Section 15HB of SEBI Act	Rs. 2,00,000/- (Rupees Two Lakhs)
Noticee No. 4	Regulations 3(a), 4(1) and 4(2)(q) of PFUTP Regulations read with Section 12A(e) of SEBI Act	Section 15HA of SEBI Act	Rs. 17,00,000/- (Rupees Seventeen Lakhs)
	Clause E(3)(d) of SEBI Circular dated November 17, 2016	Section 15HB of SEBI Act	Rs. 5,00,000/- (Rupees Five Lakhs)
Noticee No. 5	Regulations 3(a), 4(1) and 4(2)(q) of PFUTP Regulations read with Section 12A(e) of SEBI Act	Section 15HA of SEBI Act	Rs. 7,00,000/- (Rupees Seven Lakhs)
	Clause E(3)(d) of SEBI Circular dated November 17, 2016	Section 15HB of SEBI Act	Rs. 2,00,000/- (Rupees Two Lakhs)
Noticee No. 6	SEBI Circular dated November 17, 2016	Section 15E of SEBI Act	Rs. 25,00,000/- (Rupees Twenty Five Lakhs)
	Clause 2 of Fifth Schedule to MF Regulations		
Noticee No. 7	Clause 2 of Fifth Schedule to MF Regulations	Section 15HB of SEBI Act	Rs. 10,00,000/- (Rupees Ten Lakhs)

I am of the view that the said penalty is commensurate with the violations committed by the Noticees in this case.

140. The Noticees shall remit/pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e., www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW.

141. In terms of the provisions of Rule 6 of the Adjudication Rules, copies of this order are sent to the Noticees and also to the Securities and Exchange Board of India.

Date: July 31, 2024

Place: Mumbai

N HARIHARAN

ADJUDICATING OFFICER