BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO.: Order/DS/PC/2022-23/21387

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

In respect of:

Late Madhu Goel

PAN: ABRPG0940P

In the matter of dealings in Illiquid Stock Options at the Bombay Stock Exchange

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BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") observed large scale reversal of trades in the Stock Options segment of the Bombay Stock Exchange (hereinafter referred to as "BSE") leading to the alleged creation of artificial volume in the stock options segment. In this regard, SEBI conducted an investigation into the trading activity in the illiquid Stock Options segment at the BSE for the period April 01, 2014 to September 30, 2015 (hereinafter referred to as "Investigation Period").

2. It was observed during the course of investigation that a total of 2,91,744 trades comprising 81.40% of all the trades executed in the Stock Options Segment at the BSE during the investigation period were trades which involved reversal of buy and sell positions by certain clients and counterparties in a contract on the same day. It

was observed that Ms. Madhu Goel (hereinafter referred to as “Noticee”) was one such client whose reversal trades involved squaring off open positions with a significant difference without any basis for such change in the contract price. The aforesaid reversal trades allegedly resulted in generation of artificial volumes, leading to allegations that the Noticee had violated the provisions of regulations 3(a),(b),(c),(d) and regulations 4(1),4(2)(a) of the SEBI (Prohibition of Fraudulent and Unfair Trading Practices related to Securities Markets) Regulations, 2003 (hereinafter referred to as “PFUTP Regulations, 2003”).

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI initiated adjudication proceedings and appointed the undersigned as Adjudicating Officer under section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “SEBI Act”) read with rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “Adjudication Rules”) vide Order dated April 30, 2021 to inquire into and adjudge under section 15HA of the SEBI Act against the Noticee for the alleged violation of the aforesaid provisions of PFUTP Regulations, 2003.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice bearing reference no. SEBI/DDHS-3/AO/DVS/2021/28632/1 dated October 25, 2021 (hereinafter referred to as “SCN”) was issued to the Noticee under Rule 4(1) of the Adjudication Rules to show cause as to why an inquiry should not be initiated against the Noticee and why penalty should not be imposed upon the Noticee under Section 15HA of the SEBI Act for the violations alleged to have been committed by the Noticee.

5. Further, the Adjudicating officer vide notice bearing reference no. SEBI/HO/P/OW/2022/38265/1 dated August 08, 2022 informed the Noticee about the SEBI Settlement Scheme, 2022 in terms of Regulations 26 of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 in the matter of

illiquid Stock Options. The Noticee was advised to file a reply to the SCN within 30 days of the receipt, in case the Noticee does not wish to avail the facility under the SEBI Settlement Scheme, 2022.

6. Mr. Mahesh Goyal, the husband of the Noticee, vide email dated October 4, 2022, *inter alia*, informed that the Noticee had passed away on August 02, 2022. A Death Certificate dated September 09, 2022 issued by the Department of Economics and Statistics, Government of Jharkhand, was produced along with the said email. The death certificate has been verified through the quick response (QR) code appearing on the death certificate provided by the Noticee. It is observed that the Noticee expired during the pendency of adjudication proceedings and before the liability could be ascertained against her.

7. In this regard, it is relevant to note that the Hon'ble Supreme Court in the case of *Girijandini vs. Bijendra Narain (AIR 1967 SC 1124), inter alia*, observed that in case of personal action, i.e., the actions where the relief sought is personal to the deceased, the right to sue will not survive to or against the representatives, and in such cases, the maxim "*actio personalis moritur cum persona*" (personal action dies with the death of the person) would apply. he Hon'ble Securities Appellate Tribunal has also held in the matter of Chandravadan J Dalal Vs. SEBI (Appeal No. 35/2004), decided on June 15, 2005, that "*The appeal abates since the appellant during the pendency of the appeal died on 29th November, 2004. The appeal accordingly abates. The penalty imposed on the original appellant being personal in nature also abates".*

8. Relying on the aforementioned Order of the Hon'ble Supreme Court, I am of the view that the adjudication proceeding initiated against the Noticee do not survive and are liable to be abated without going into the merits of the case. Consequently, no penalty is imposed on the Noticee who is since deceased and the Adjudication Proceeding against the Noticee stand abated.

ORDER

9. After taking into consideration all the facts and circumstances of the case, the Adjudication proceeding initiated against the Noticee, viz., Late Madhu Goel (PAN-ABRPG0940P), vide SCN bearing reference no. SEBI/DDHS-3/AO/DVS/2021/28632/1 dated October 25, 2021 is disposed of.

10. In terms of Rule 6 of the Adjudication Rules, a copy of this Order is sent to the family of the Noticee and also to SEBI.

DATE: November 23, 2022 **DEENA VENU SARANGADHARAN**

PLACE: MUMBAI **ADJUDICATING OFFICER**