BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO: Order/AS/VC/2022-23/23785)

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 Laxmi Devi Dugar

(PAN: ACHPD1898C)

In the matter of dealings in Illiquid Stock Options at BSE

BACKGROUND OF THE CASE

1. As part of ongoing surveillance, Securities and Exchange Board of India (hereinafter referred to as **'SEBI'**) came across large scale reversal of trades in stock options segment of Bombay Stock Exchange (hereinafter referred to as **'BSE'**). Subsequently, SEBI conducted an investigation into the trading activity in illiquid stock options at BSE for the period of April 01, 2014 to September 30, 2015 (hereinafter referred to as **'investigation period'**).

2. Pursuant to investigation, it was observed that during the investigation period, a total of 2,91,643 trades comprising 81.38% of all the trades executed in BSE stock options segment were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract. The reversal trades involved squaring off transactions, but with significant difference in the sell value and buy value of the transactions. The aforesaid reversal trades allegedly led to generation of artificial volumes. Late Laxmi Devi Dugar (hereinafter referred to as **'Noticee'**) was one of the entities which indulged in reversal trades which allegedly created false and misleading appearance of trading, generating artificial volumes in the stock options segment of BSE during the investigation period. The Noticee was alleged to have engaged in 4 such reversal trades in 2 unique contracts, which

led to generation of artificial volume of 398000 units. These trades of the Noticee involved reversal with the same counterparty on the same day, but at different prices. The trades entered by the Noticee were reversed on the same day with same counterparties at a substantial price difference without any basis for significant change in the contract price which indicated that these trades were artificial and non- genuine in nature.

APPOINTMENT OF ADJUDICATING OFFICER

3. In this connection, SEBI had initiated adjudication proceedings against Noticee, under SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **'Adjudication Rules'**) for allegedly violating Regulations 3(a),(b),(c),(d) and 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as **'PFUTP Regulations'**), in the matter of trading in illiquid stock options at BSE. Ms. Maninder Cheema was appointed as Adjudicating Officer vide order dated June 21, 2021 under Section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **'SEBI Act'**) to inquire into and adjudge the alleged violations by the Noticee and determine whether penalty under Section 15HA of the SEBI Act is liable to be imposed. Pursuant to the transfer of erstwhile Adjudicating officer Ms. Maninder Cheema, the instant matter was transferred to the Ms. Anitha Anoop. Further, pursuant to the transfer of erstwhile Adjudicating officer Ms. Anitha Anoop, the instant matter *vide* order dated September 06, 2022, was transferred to the undersigned.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice no. EAD5/MC/RM/18924/2021 dated August 11, 2021 (hereinafter referred to as **'SCN'**) was served on the Noticee, in terms of the provisions of rule 4 of the Adjudication Rules read with Section 15-I of the SEBI Act, requiring the Noticee to show cause as to why an inquiry should not be held against her in terms of Rule 4 of the Adjudication Rules read with section 15-I of

the SEBI Act, and penalty, if any, should not be imposed on Noticee under Section 15HA of the SEBI Act for the aforesaid alleged contraventions done by her. I note that the SCN was duly served on the address of the Noticee through SPAD and email. Subsequently, a notice no. EAD5/AA/PR/2022/46715 dated August 30, 2022 was served on the Noticee, informing her about the SEBI Settlement Scheme, 2022, in terms of Regulation 26 of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 in the matter of Illiquid Stock Options and in case, Noticee do not wish to avail of the facility under the SEBI Settlement Scheme, 2022, Noticee was advised to file a reply to the SCN within 30 days of the receipt of the notice.

5. Since the delivery proof of the notice dated August 30, 2022 was not obtained, an attempt of delivery of the notice to the Noticee was made through stock exchanges / depositories as per SEBI circular no. SEBI/HO/EFD1/EFD1_DRA4/P/CIR/2022/104 dated July 29, 2022 on framework for automated deactivation of trading and demat accounts in cases of inadequate KYCs. In this regard, NSE *vide* letter dated November 18, 2022, forwarded a letter dated November 14, 2022 received from Progressive Share Brokers Pvt. Ltd. intimating about the death of the Noticee on August 21, 2017. A copy of death certificate of Noticee, issued by the Municipal Corporation Gurugram and a copy of Aadhaar Card of Mr. Surendra Kumar Dugar stated to be son of Noticee, was enclosed with the said letter. The death certificate has been cross verified from the website of the Office of the Registrar General & Census Commissioner, India by scanning the QR code imprinted on the death certificate and it shows that the Noticee passed away on August 21, 2017.

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

7. In this context, it is worth mentioning that in **Girijanandini Vs Bijendra Narain** (AIR 1967 SC 2110), the Hon'ble Supreme Court held that in case of personal

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

8. In view of the foregoing, I am of the view that the instant adjudication proceedings against the Noticee are liable to be abated without going into the merits of the case qua her and the SCN dated August 11, 2021 issued against her is disposed of accordingly.

9. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to SEBI and to the last known address of deceased Noticee as well as to Mr. Surendra Kumar Dugar, who is stated to be son of the deceased Noticee.

Place: Mumbai **ASHA SHETTY**

Date: February 16, 2023 **ADJUDICATING OFFICER**