BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/SM/S./2022-23/16178-16179]

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 No.	Name of Noticees	PAN
1.	Finquest Securities Pvt Ltd	AABCB7028F
2.	Shailesh Shah Securities Pvt. Ltd.	AAECS3607E

In the matter of Crest Ventures Ltd. (Earlier known as Sharyans Resources Ltd.)

FACTS OF THE CASE IN BRIEF:

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') carried out an investigation into trading in the scrip of Crest Ventures Limited (hereinafter referred to as "**Crest**"/"**Compn any**") for the period December 15, 2011 to October 09, 2014 (hereinafter referred to as '**Investigation period/IP**'). The focus of the investigation was to ascertain whether there was any violation of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI**

Act') and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities market) Regulations, 2003 (hereinafter referred to as **'PFUTP Regulations'**) during the aforesaid investigation period. The shares of the Company are listed on BSE Ltd (BSE) and National Stock Exchange of India Ltd (NSE).

2. During the course of investigation, SEBI observed that there were 16 suspected entities from the Bharat Patel Group, out of which 5 group entities had traded in the scrip during the investigation period. It was noted that the 5 Bharat Patel Group entities repetitively executed synchronized trades on BSE within the group for 30,35,839 shares (17.55% of the market volume) in 16 trades over 8 trading days and thus created misleading appearance of trading in the scrip without any intention of change in ownership of the security. It was also observed that the 16 '*suspected entities'* executed synchronized trades for 8,46,482 shares (7.96% of the market volume) over 6 trades on 5 trading days at NSE during the investigation period. In view of the above, it was observed that the trades of aforementioned 6 *suspected entities* of the Bharat Patel Group at BSE had violated the provision of section 12A (a), (b) and (c) of SEBI Act read with regulations 3 (a), (b), (c) and (d), 4(1) and 4(2) (a) of the PFUTP Regulations.

3. It was also observed that Finquest Securities Pvt. Ltd. (hereinafter referred to as the "**Noticee 1**"), was the broker and counterparty broker for 14 out of 16 synchronized trades in the scrip of Crest at BSE for a quantity of 18,77,141 shares (61% of the synchronized trades of the Bharat Patel Group and 2.33% of the market volume) during the investigation period. It was also observed that all the synchronised buy and sell trades were executed from terminal ID 4 and 6 of Noticee 1. It was observed that two of the suspected entities, namely, Hardik Bharat Patel and Minal Bharat Patel were directors of Noticee 1. Thus, it was observed that Noticee 1 was connected to the suspected entities which have indulged in synchronized trades and

in view of the same, it was alleged that Noticee 1 facilitated their fraudulent trades and created misleading appearance of trading in the scrip of Crest without any intention of change in ownership of the security. It was also observed that Shailesh Shah Securities Pvt. Ltd. (hereinafter referred to as the "**Noticee 2**") acted as a broker to Nirshilp Securities Pvt. Ltd. (hereinafter referred to as "**Nirshilp**") and allegedly facilitated repetitive small trades and self-trades by Nirshilp for creating misleading appearance of trading and price manipulation in the scrip of Crest (Noticees 1 & 2 are hereinafter collectively referred to as "**Noticees**"). In view of the above, it was alleged that Noticees have violated the provisions of section 12A of SEBI Act read with regulation 3 (a), (b), (c) and (d), regulations 4(1) and 4(2)(a) of the PFUTP Regulations. Further, it was alleged that the Noticees, being SEBI registered brokers, failed to exercise due skill, care and diligence in conduct of their business, thereby violating clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 (now Regulation 9 w.e.f. September 27, 2013) of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 (hereinafter referred to as '**Stock Brokers Regulations**').

APPOINTMENT OF ADJUDICATING OFFICER

4. Vide order dated August 25, 2020, Shri Amit Pradhan was appointed as Adjudicating Officer under Section 15-I of the SEBI Act read with Rule 3 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules'**) to inquire into and adjudge under section 15HA of the SEBI Act, the alleged violations of the provisions of section 12A of SEBI Act read with regulation 3 (a), (b), (c) and (d), regulations 4(1) and 4(2)(a) of the PFUTP Regulations and under section 15HB of SEBI Act, the alleged violation of clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 (now Regulation 9 w.e.f.

September 27, 2013) of Stock Brokers Regulations, by Noticees. Subsequently, the undersigned was appointed as the Adjudicating Officer in the matter by SEBI vide its order dated June 18, 2021.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

5. A Show Cause Notice vide ref. no. EAD-2/AP/VS/14725/2020 dated September 09, 2020 (hereinafter referred to as '**SCN 1**') was issued to Noticee 1 and another Show Cause Notice vide ref. no. EAD-2/AP/VS/14727/2020 dated September 09, 2020 (hereinafter referred to as '**SCN 2'**) was issued to Noticee 2 under Rule 4 of the Adjudication Rules (hereinafter both SCN 1 and SCN 2 are collectively referred to as '**SCNs**') to show-cause as to why an inquiry should not be initiated against Noticees 1 and 2 and penalty, if any, not be imposed upon them under the provisions of 15HA and 15HB the SEBI Act for the aforesaid violations alleged to have been committed by them.

6. The allegations levelled against Noticee 1 in the SCN 1 are as under:

   a) During the investigation, the price volume data of the scrip at BSE for the period before, during and after the investigation period was noted as mentioned in following graphs and tables:

Chart-1: Price Volume movement at BSE

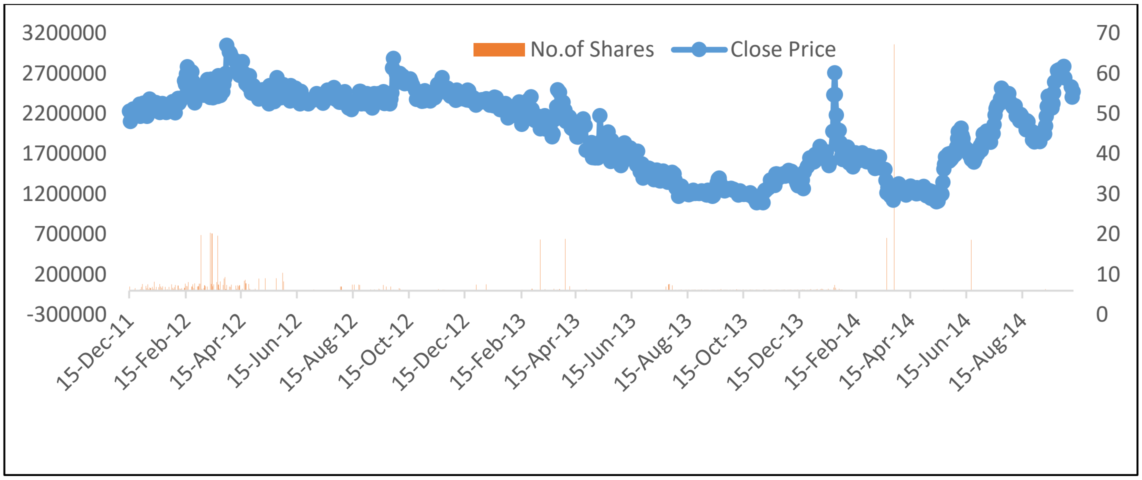

Table-1: Price movement at BSE

Period	Dates		Open	High	Low	Close	Total Vol/(Avg. Vol.)
Pre Investigation Period	15/09/2011-14/12/2011	Price	55.55	74.8 (26/10/2011)	45.4 (21/11/2011)	52.55	3289483/ 54824
		Vol	404	169973 (25/10/2011)	404 (15/09/2011)	12129	
Patch 1 (Rise)	15/12/2011-30/03/2012	Price	54.95	66.70 (30/03/2012)	46.45 (30/12/2011)	67.05	6487707/ 85365
		Vol	49290	718750 (12/03/2012)	1626 (16/12/2011)	70078	
Patch 2(Fall) (No trading on Mar 31 & Apr 1, 2012)	02/04/2012-29/10/2013	Price	65	67.85 (04/04/2012)	25.30 (28/10/2013)	27.9	5322464/ 14043
		Vol	52238	642241 (03/04/2013)	1 (8 instances)	11409	
Patch 3 (Rise)	30/10/2013-22/01/2014	Price	28.4	60.15 (22/01/2014)	27 (05/11/2013)	60.15	799675/ 13554
		Vol	10797	71962 (22/01/2014)	6683 (03/11/2013)	71962	
Patch 4(Fall)	23/01/2014-14/05/2014	Price	61.9	61.9 (23/01/2014)	26.05 (14/05/2014)	29.5	3901573/ 54952
		Vol	36323	3061574 (28/03/2014)	1 (05/02/2014)	532	
Patch 5(Rise)	15/05/2014-09/10/2014	Price	28.15	64.5 (30/09/2014)	26.4 (16/05/2014)	55.5	787282/ 8652
		Vol	1934	630817 (20/05/2014)	16 (24/09/2014)	1575	
Post Investigation period	10/10/2014-08/01/2015	Price	53	55 (05/01/2015)	41.65 (28/102014)	49.5	226062/ 4614
		Vol	1575	87187 (01/12/2014)	20 (14/11/2014)	710	

b) It was observed that 5 Bharat Patel Group entities (out of total 16 suspected entities of Bharat Patel Group) (hereinafter referred to as "**5 group entities**") carried out synchronized trades on BSE within the group for 30,35,839 shares (17.55% of the market volume) in 16 trades over 8 trading days and thus created misleading appearance of trading in the scrip without any intention of change in ownership of the security.

c) The Noticee was the broker and counterparty broker for 14 out of 16 synchronized trades at BSE for a quantity of 18,77,141 shares (61% of the synchronized trades of the Bharat Patel Group and 2.33% of the market volume) during the investigation period. All the synchronised buy and sell trades were executed from terminal ID 4 and 6 at Noticee. Two of the suspected entities Hardik Bharat Patel and Minal Bharat Patel are directors of Noticee. Thus, Noticee is connected to the suspected entities which have indulged in synchronized trades and in view of the same, it is alleged that the Noticee facilitated their fraudulent trades and created misleading appearance of trading in the scrip without any intention of change in ownership of the security and thereby violated the provisions of section 12A of SEBI Act read with regulation 3 (a), (b), (c) and (d), regulations 4(1) and 4(2)(a) of the PFUTP Regulations. Further, it was alleged that the Noticee being a SEBI registered broker, it failed to exercise due skill, care and diligence in conduct of its business, thereby violating clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 (now Regulation 9 w.e.f. September 27, 2013) of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992.

7. The allegations levelled against Noticee 2 in the SCN 2 are as under:

a) During the investigation period, Nirshilp Securities Private Limited (hereinafter referred to as "Nirshilp") was the top contributor towards the positive Last Traded Price (LTP) in the scrip of Crest at BSE during the period December 15, 2011 to March 30, 2012 (Patch-1), wherein it contributed Rs. 238.60 (20.17% of total market positive LTP) in 442 trades for 1,265 shares. Further, from the analysis of order book, it was noted that out of total 442 positive LTP trades, 374 buy orders by Nirshilp were placed after the sell orders being available in the system. It was also observed that out of 442 LTP Contributing trades, 26 trades were self-trades which has contributed to positive LTP of Rs.16.75. All these self-trades, except one, were for one share. On further analysis it was observed that out of 442 positive LTP trades, in 404 trades buy orders were placed for 1-10 shares where in disclosed sell orders in cases of 212 trades were in the range of 11-3000 shares. It was observed that Nirshilp (i) repeatedly placed buy orders above prevailing sell orders rate with negligible buy order quantity, (ii) repeatedly matched sell orders that are placed above LTP with market orders, with negligible buy order quantity and (iii) repeatedly executed self-trades in negligible quantity.

b) It was also noted that during April 02, 2012 to October 29, 2013 (Patch-2) of the investigation period, Nirshilp has contributed negative LTP of Rs.434.05 which is 21.72% of total market negative LTP in 541 trades for 607 shares. Further, from the analysis of order book, it is noted that out of total 442 positive LTP trades, 383 sell orders by Nirshilp were placed after the buy orders being available in the system. It was also observed that out of 541 LTP Contributing trades, 39 trades were self-trades which has contributed to negative LTP of Rs.56.95. All these self-trades, except one, were for one share. On further analysis, it is observed that out of 541 negative LTP trades for all trades sell orders were placed for 1-5 shares where in disclosed buy orders in cases of 281 trades were in the range of 11-8800 shares. It was observed that Nirshilp: (i) repeatedly placed sell orders below prevailing buy orders rate with negligible buy order quantity, (ii) repeatedly matched buy orders that are placed below LTP with market orders, with negligible sell order quantity and (iii) repeatedly executed self-trades in negligible quantity. In view of the above, it was alleged that the aforementioned trades of Nirshilp at BSE have violated the provision of PFUTP Regulations.

c) Noticee 2 was the broker of Nirshilp for the trades at BSE. Noticee 2 and Nirshilp were associated companies. Thus, it is alleged that the Noticee 2 facilitated Nirshilp's fraudulent trades and created misleading appearance of trading and thereby violated section 12A of SEBI Act read with regulation 3 (a), (b), (c) and (d), and regulations 4(1) and 4(2)(a) of the PFUTP Regulations. Further, it was alleged that the Noticee failed to exercise due skill, care and diligence in conduct of its business thereby violating clause A(2) of the Code of Conduct for Stock Brokers under Schedule II read with Regulation 7 (now Regulation 9 w.e.f. September 27, 2013) of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992.

8. The SCNs were sent to the Noticees through Speed Post Acknowledgement due (hereinafter referred to as '**SPAD**') on September 09, 2020, and the same were duly served on Noticees. Noticees were given fourteen (14) days' time from the date of receipt of SCN to submit their replies to the allegations made in the SCN.

9. It is noted that Noticee 1 failed to submit its reply to the SCN 1 dated September 09, 2020 within the time stipulated therein. Thereafter, the Noticee 1 was issued a Hearing Notice dated October 07, 2020 which was duly served upon Noticee 1 by email dated October 07, 2020. Thereafter, Noticee 1 submitted reply to SCN 1 vide letter dated October 20, 2021. Noticee 1 has contended the following in its reply:

    i. *"At the outset, the Company disputes and denies everything that has been stated in the said SCN and the allegations raised therein are based on false and erroneous presumptions and without any cogent evidence. It is settled law that the burden of proof is on the person making allegations and not vice — versa. It is submitted herein by the Company that no provisions of law have been violated as has been alleged in the said SCN and no adverse recommendations shall be warranted as sought in the said SCN. Primarily, on this ground alone, the present proceedings ought to be dropped against our Company, without any adverse observations or recommendations."*

ii. *“At the further outset, the said SCN are liable to be struck down on account of inordinate delay in issuing the same. It is well settled rule laid down by the Hon'ble Securities Appellate Tribunal and later affirmed by the Hon'ble Supreme Court of India in various cases that the Authority is required to exercise its powers within a reasonable period of time, and it has been conclusively held that orders passed by SEBI can be quashed without even going into the merits of the case, in matters where there is an inordinate delay on the part of SEBI. It is denied that we have violated any of the provisions of any law or any regulations as incorrectly alleged in the said SCN or otherwise. We have not indulged in any acts or conduct which amounted to any violation at all or which could at all support any adverse recommendation against us contained in the SCN. Therefore, the present proceedings ought to be dropped against us without any adverse observations or recommendations against us”.*

iii. *“We have been brokers of the two Stock Exchanges (BSE/NSE) for the last 16 years. Presently, we have over 5000 registered clients, and our annual turnover is approximately IQs. 10,888/- Crores in the F.Y. 2020-21 across all Segments and Exchanges. The aforementioned allegations pertaining to 16 trades allegedly executed in 2012 and 2014 and the allegations thereof are raised after more than 5 years from the date of execution of last alleged trade. Such action on part of SEBI is arbitrary, whimsical and vindictive as the Regulation 18 of the SEBI (StockBrokers) Regulations, 1992 states that "Every stock broker shall preserve the books of account and other records maintained under regulation 17 for a minimum period of five years..." and no issues or queries were ever raised by any person and/or Authority including any of the Stock Exchanges in respect of impugned trades till receipt of the prior SCN issued in the above regards by SEBI dated 26th September, 2019. The inordinate and unjustified delay on the part of the SEBI is ex facie* *demonstrated by the fact that the first SCN was issued only on 26th September 2019, more than 5 years after the impugned 16 trades were executed. Moreover, it was only on receipt of the 26 th of September, 2019 SCIN that the Company made aware of the SEBI's attempts to allege the impugned 16 trades executed between March 2012 and March 2014. It is humanly impossible for the Company and/or its officials to justify any reasoning or show cause in any manner for the allegations levelled against it after such a prolonged period. Moreover, we cannot be expected to be able to now furnish the clients' reasoning for the trades, nor can it be held that the clients' trades amounted to any violation, and therefore it cannot be alleged that we "facilitated' or "aided' them in carrying out the alleged synchronised trades. This also demonstrates that the inordinate delay has obviously caused tremendous prejudice to us. SEBI as the market regulator ought to consider its own Regulations in the subject matter before issuing Show Cause Notices after such prolong period and its effect on the rights and interests of the Company and/or similarly placed entities. Thus, on account of inordinate delay in issuance of the SCN, no adverse observations shall be drawn and/or no proceedings shall be commenced against the Company."*

iv. *"Most of the impugned trades that were executed were in excess of 0.5% of the equity capital of the scrip of Crest and such trades ought to have been displayed on bulk deal window of the Stock Exchange. Each of the impugned trades were expressly and separately reported to the Stock Exchange and were even disclosed on their websites."*

v. "Such trades were executed at the market price of the scrip and full payment by the buyer and delivery thereof was made to the buyer immediately, as no grievances were raised or are available of the Stock Exchanges website. In fact, since the said shares were delivered and transferred from each seller to each buyer, each of the aforesaid 5 entities had at the relevant time *become the duly registered owner and holder of the respective shares, and therefore as per sections 2(a) and 10 (3) of the Depositories Act, the beneficial ownership had in fact been duly and legally transferred. In other words, the ownership of all these shares were duly transferred to and in favour of the buyer."*

vi. *"It is not even alleged that the said trades resulted in any price or volume manipulation or caused any harm or loss to anyone. SEBI has not even ascribed any motive or reason for the trades. It is not even alleged that the clients were connected to or acting for the promoters / directors of Crest or had any other motive."*

vii. *"Assuming whilst denying, if there was no intention to transfer beneficial ownership, then all the trades would have been squared off on the same day so as to avoid taking delivery. Admittedly that is not what happened in the present case."*

viii. *"The shares were openly sold in accordance with Stock Exchange Mechanism. They were admittedly transferred, and beneficial ownership did get transferred. The 16 Trades were all on different days spanning between 12th March 2012 to 20th March 2014, and all for different quantities and the variation in quantity was from 192 shares to more than 6,00,000 shares. It is therefore reiterated that the same cannot be alleged to be synchronised trades."*

ix. *"It is submitted herein that the rationale applied in the said SCN behind the alleged connection between the Company and the aforesaid 5 entities or Bharat Patel Group is incorrect and a figment of the imagination. The Company is a separate legal entity having its own identity distinct from its members and clients. The Company is engaged in the business of stock broking and has been registered brokers of the NSE and BSE for the last 16 years. Being an established entity is the business of stock broking, the*

Company caters to large number of clients, many of whom are high net worth individuals and large traders and carries on trading activities on Stock Exchanges independently of its members and clients."

x. *"As regards the "connections" alleged in the SCN, it is submitted that the same are not relevant, since there is no bar to "connected" parties trading or for an intermediary to cater to their clients who may be connected. In fact, even negotiated trades between connected parties are expressly permitted and are very common. Therefore, per se there can be no violation ascribed to the clients or to us."*

xi. *"It is pertinent to note that people access the stock market for variety of reasons, and it is common and quite likely that the impugned trades may have been carried out by the said 5 entities as a means to book profits or losses for tax planning; or to get cash liquidity. No adverse inference can be drawn against the Company for trading for and on behalf of the aforesaid 5 entities as per their directions. Merely because the Company acted as a broker of aforesaid entities, who are high net worth individual and large traders, to execute trades as per their directions in the normal course of business, it does not become connected to the aforesaid entities. If such affiliation is put to effect on every trade and transaction ever carried out by the Company for and behalf of its other clients, the Company may become a connected entity with all its clients. For reasons stated above, the Company cannot be termed as a connected entity with the aforesaid 5 entities or alleged Bharat Patel Group."*

10. I note that Noticee 1 failed to appear on the scheduled date of hearing i.e. October 22, 2020. In the interest of natural justice, another Hearing Notice dated January 28, 2022 was issued to Noticee 1 granting an opportunity of personal hearing before the undersigned on February 09, 2022. The Hearing Notice dated January 28, 2022

was sent to the Noticee 1 by SPAD and by digitally signed email dated February 01, 2022, and the same was duly served on Noticee 1. In view of the request of Noticee 1 for an adjournment of hearing vide email dated February 01, 2022, the hearing was adjourned to February 23, 2022. In view of another request for adjournment from Noticee 1, Noticee 1 was granted a final opportunity of hearing on February 24, 2022. The hearing was attended by Advocate Mr. Rihal Razi and Mr. Deepak Chavda, Authorised Representatives (ARs) of the Noticee 1, on the scheduled date. During the hearing, the AR of Noticee 1 made the following submissions:

a. *There was delay in issuing the SCN in the present adjudication proceedings. Due to delay in issuing the SCN, prejudice has been caused to Noticee as it is not possible to check/verify the records relating to the matter.*
b. *Parity has not been maintained with other brokers.*
c. *There is no allegation of price manipulation, so allegations in the SCN are not maintainable.*
d. *No motive to aid and abet in manipulation of trades was ascribed to the Noticee. Allegation of fraud has not been established against the Noticee in SCN*.

11. The ARs of Noticee 1 requested time till March 04, 2022 for making written submissions in the matter which was acceded to and subsequently the said written submissions, vide enclosing letter dated March 02, 2022, were taken on record. I note that Noticee 1 made the following additional submissions:

a. The Noticee denied all allegations made in the SCN.

b. The SCN was issued after an inordinate delay of 8 years as the investigation period is from December 15, 2011 to October 09, 2014. Thus, prejudice has been caused to Noticee as it is not possible to recollect the reasons for execution of the trades in question or check/verify the records relating to the matter which could only be *maintained for a period of 5 years as per Regulation 18 of SEBI (Stock Brokers) Regulation, 1992. In support of the aforesaid contention the Noticee has placed reliance upon the judgement of the Hon'ble Supreme Court in Government of India vs. Citedal Fine Pharmaceuticals, Madras and Others and Adjudicating Officer, SEBI vs. Bhavesh Pabari and rulings of Hon'ble SAT in Ashok Shivlal Rupani v. SEBI, Bharat J Patel v. SEBI, ICICI Bank v. SEBI, Subhkam Securities v. SEBI, Libord Finance Ltd., HB Stockholdings Ltd. case, and Price Waterhouse case.*

c. Most of the alleged trades are in excess of 0.5% of the equity capital of Crest. In fact, 13 out of the total alleged 16 synchronised trades are bulk trades and as such ought to have been displayed on the bulk deal window of the Stock Exchange. Each of such trade was expressly reported to the Stock Exchange. The Stock Exchange has not found any irregularity with the said trades.

d. The SCN alleges existence of a group of 16 "suspected entities" called the Bharat Patel Group. Out of the 16 suspected entities 5 suspected entities are alleged to have traded in the scrip of AGIL during the investigation period. The rational provided in the SCN to justify the same is completely erroneous and forms no basis at all. The SCN fails to appreciate that the Noticee and the other corporate entities mentioned in the purported group of "connected entities" are separate legal entity distinct from its members and clients.

e. SCN fails to appreciate that the purported trades were executed on the floor of the stock exchanges and in accordance with the stock exchange mechanism, on various dates. The trades took place between different parties, at the market price, where full payment by the buyer/s was/were effected, and delivery thereof was made to the buyer/s. All the trades resulted into payment and delivery. Thus, the allegation that there was no change of ownership of the shares traded for and on behalf of the clients of the Noticee is wrong and incorrect.

f. Synchronised trades are not illegal if payment was made and delivery of the shares took place. The alleged synchronized trades were executed in the duration between March 2012 and March 2014 on various days where delivery and payments were exchanged. Thus, the allegations against the Noticee of 'having no intention to transfer beneficial ownership of the shares' cannot be sustained. The said allegation could have been sustained, had the trades been squared off on the same day, thereby avoiding taking delivery of the shares. Hence, the entities (buyer/s) of the scrip/s on the said date became the duly registered owner and holder of the shares and as per Section 2(a) and Section 10(3) of the Depositories Act, the beneficial ownership had in fact the legally transferred.

g. The SCN does not allege that the purported trades caused any price manipulation or volume manipulation. The SCN also does not report or point out any investor grievances being made to it.

h. The allegations of violating provisions of the PFUTP Regulations can be established, only on establishing that a fraud had been committed by the Noticee and/or on the basis of a concrete charge proven in the regard, which lacks in the present SCN.

j. It has been contended that SEBI has not taken any action against the Counter-party brokers who had acted for their respective clients in 14 trades, out of the 16 purported synchronised trades. Thus even on the ground of parity, the SCN ought to be rejected.

k. Thus, the Noticee should be discharged from the instant adjudication proceeding without any adverse direction/order and the SCN be recalled/dropped."

12. It is noted that SCN 2 was sent to Noticee 2 through SPAD on September 09, 2020 and the same was duly served on Noticee 2. Subsequently, Noticee 2 submitted its

reply dated September 22, 2020. The following submissions were made by Noticee 2 in its reply:

i. *"At the outset and without prejudice to anything else herein stated, we state that the allegations made in and findings arrived at in the SCN as against us are misconceived and based on incomplete and incorrect assumption of facts. We deny each and every allegation and/or contention and/or observation made in the said notice and nothing therein stated should be deemed to have been admitted and/or inferred to have been admitted by us, save and except to the extent specifically admitted herein"*

ii. *"We totally deny that we repeatedly placed the buy orders at a rate above the prevailing sell orders rate and the buy order quantity being less than the sell order quantity with a manipulative intent to increase the price of the scrip or vice versa. We most humbly submit that the assumption that a genuine buyer would not repeatedly place buy orders at a price higher than the sell order price and for a quantity lesser than the available sell order quantity is completely incorrect and is based on false assumption and appreciation of facts and market practice."*

iii. *"Assuming without admitting that we have contributed to the positive / negative LTP, we deny that our client Nirshilp Commodities and Trading Pvt. Ltd. – Formally known as Nirshilp Securities Pvt. Ltd. (herein after referred to as "Nirshilp") had knowingly and with manipulative intent contributed towards the alleged contribution to the LTP."*

iv. *"We most humbly state that no adverse inference may be drawn against us in view of the fact that our client Nirshilp was amongst top 10 net positive / negative LTP contributors as buyers / sellers. We most respectfully state and submit that some of the sell orders were placed before our buy orders at higher price and for the remaining trades, the sell orders were placed after the buy orders in normal course of business pursuant to our trading strategies which is a permissible practice. Same is the case with buy orders."*

v. *“Our client Nirshilp follows NSE BSE arbitrage strategy i.e. they buy/sell various scrips on BSE and correspondingly sell/buy on NSE and vice versa to take advantage of the price differential in the two markets. We most humbly submit that arbitrage is an inter-Exchange strategy that takes advantage of the price differential that exists for the same scrip trading in different Exchanges.”*

vi. *“It is submitted that there is possibility of price differential between two Exchanges viz. NSE and BSE. The trades at BSE are done through us i.e. Shailesh Shah Securities Pvt. Ltd. and trades at NSE are done through broker Nirpan Securities Pvt. Ltd. NSE broker and client Nirshilp are our associate/group companies. Brokers have in place an automated system which has more chances of capturing the price difference available than is available to the manual traders. Further, in our case the quantity that we put in order is the same as the best bid and asks quantity available at the other Exchange i.e. NSE. The order quantity that we input is always less than the available demat stock that our client is holding in particular scrip. As soon as any trade gets executed on one Exchange say for example, on NSE the automated system squares off the opposite trade in other Exchange, i.e., BSE with similar quantity at market rate or “Zero rates” which is synonyms to market rate and immediately and simultaneously cancels the remaining pending order.”*

vii. *“We state that placing of any order is based on the arbitrage price difference that may be available between two Exchanges. It is submitted that orders, buy or sell are placed in NSE depending upon the bid and ask price of BSE and vice versa. If bid and ask price quotes are available than we place an order just below the ask price or above the bid price. If bid and ask price are not available then we place an order to earn a positive difference of approximately 0.35% of the other Exchange. It may also be noted that all these trades are carried out within a very narrow price range and this is the actual essence of arbitrage. Our client have thus, executed trades in CREST with miniscule margins.”*

viii. *"It is submitted that the entire realm of arbitrage has to be considered in accordance with the technicality, intention, frequency, volume of trades etc. We state that factors such as order time, price etc. is a condition precedent before placing any order."*

ix. *"Thus, it is submitted that there is no malafide intent in executing the alleged trades and these trades have arisen out of the normal course of business and are within the prescribed regulations."*

x. *"It may be appreciated that volatility and liquidity are the essence of arbitrage activities. Our client has traded in the shares of CREST which was listed under 'B Group' during the investigation period which signifies good category scrip as per the Exchange categorization."*

xi. *"Arbitrage being their primary business, they look for arbitrage opportunities in the price differences between Exchanges and make miniscule arbitrage profit accordingly, which is completely and legally valid. They have been doing arbitrage between NSE and BSE in more than 1000 scrips."*

xii. *"The summary of NSE BSE arbitrage done in the scrip CREST by our client Nirshilp during the period 15/09/2011 to 08/01/2015 is given below:*

Scrip Name	Buy Qty	Avg. Buy Rate	Buy Amount	Sell Qty	Avg. Sell Rate	Sell Amount	Exchange
CREST VENTURES	33643	54.25	18,25,264.15	33974	53.80	18,27,898.35	BSE Total
CREST VENTURES	33948	53.33	18,10,458.00	33617	54.71	18,39,228.30	NSE Total
Grand Total	67591	53.79	36,35,722.15	67591	54.25	36,67,126.65	

The Gross profit earned before all statutory expenses for the above trades is Rs. 31,404.50."

xiii. *"The details of our client Nirshilp's corresponding orders and trades at NSE for some trades shown in your SCN in Table 6 of para 3 (c) are given below:*

Trx Date	Order No	Order Time	Trade No	Trade Time	Buy Qty	Buy Rate	Buy Amt	Sell Qty	Sell Rate	Sell Amt	Exchange

12/03/12	1600035 9094286	11:24:32	1072	11:24:32	1	55.00	55.00				BSE
12/03/12	2012031 2759474 51	11:24:33	754851 46	11:24:33				1	56.55	56.55	NSE
06/02/12	2000005 1013231	09:35:11	1002	09:35:11	25	52.60	1315.00				BSE
06/02/12	2012020 6751347 72	09:34:43	751502 73	09:35:11				25	52.80	1320.00	NSE
11/01/12	1500004 6013173	09:26:53	1001	09:26:53	1	54.50	54.50				BSE
11/01/12	2012011 1751234 20	09:24:53	750909 53	09:26:53				1	55.95	55.95	NSE

The above table clearly shows that the trades are done at BSE as the counter leg of trades done at NSE or vice versa under the arbitrage strategy. The trade time of the both the legs have very minimal time difference. Therefore, the intention of executing the trades was only arbitrage and the same are done through automated system of the broker. There was no intention of increasing the LTP."

xiv. *"We submit herewith the entire trades done by our client Nirshilp in the scrip CREST in their NSE BSE arbitrage strategy for the Pre-investigation period, Investigation Period and Post Investigation Period i.e. 15/09/2011 to 08/01/2015 as Annexure A (Soft Copy). The details are given with order time, order number, trade time, trade number, terminal ID and exchange on which executed. The Annexure A shows that our client has executed more than 83,000 trades during the period 15/09/2011 to 08/01/2015. The trades are done under NSE BSE arbitrage strategy for the entire period. The entire trades are executed on the automated / algorithmic system. They have bought and sold 67591 shares on NSE and BSE combine. Further from the Annexure A you can also observe that there are many instances where the trades* *are executed more than 10 shares. The quantity depends on the number of trades which get executed / are available on the other exchange."*

xv. *"As explained above arbitrage is our clients Nrishilp primary business and it looks for arbitrage opportunities in the price differences between best buy/sell orders between Exchanges and does arbitrage accordingly which is completely and legally valid. We further submit that, our algorithm trading mechanism has been approved by BSE LTD on July 10th, 2012 vide letter no. MCD/SK/CS/2012/34588. Prior to 2012 only intimation for automated trading was required. (Copy of the approval letter of BSE, circulars relating to intimation of automated trading issued by BSE and intimation letters submitted by Shailesh Shah Securities Pvt. Ltd. are enclosed and marked as Annexure B)"*

xvi. *"We also submit datewise & exchange wise details of our deliveries by our client Nirshilp during the period 15/09/2011 to 08/01/2015 on BSE and NSE as Annexure C (Soft Copy)."*

xvii. *"We also submit the demat statement showing deliveries taken and given by our client of the scrip CREST for period 15/09/2011 to 08/01/2015 as Annexure D (Soft Copy)."*

xviii. *"Further we submit herewith the order passed by Hon. Whole Time Member of SEBI in our client Nirshilp's matter for the trades done in Winsome Yarns Ltd. as Annexure E (Soft Copy). The findings in para's 12 to 20 from the said order of Hon. Whole Time Member are reproduced below:*

Noticee has submitted that the trading strategy of the Noticee is NSE-BSE arbitrage. The same is executed through its automated system.

13. It is noted from the details submitted by the Noticee of its trading in the scrip that the following is its trade details for the illustrative dates as mentioned in Table 11 of the SCN.

14. From the table it is noted that the Noticee is buying and selling in the scrip intraday and mostly squaring off its position in the scrip. In some instances, Noticee has taken delivery of shares too.

15. It is further noted from the details of the trades of the Noticee for the alleged 258 trades and 334 trades executed on BSE and NSE respectively in the scrip that the Noticee buys on one Exchange than sells it on the other Exchange with slight variation in price and within a couple of seconds i.e., as soon as the trades get executed on one Exchange, the Noticee squares off the opposite trade in the other Exchange.

16. The table demonstrates the trading strategy of the Noticee i.e., NSE-BSE arbitrage executed through its automated system for which the Noticee has taken requisite approval from the Exchanges. With respect to execution of miniscule quantity of sell orders, the submission of the Noticee that the quantity it puts in the order is same as the best bid and ask quantity available in the Exchange is acceptable. An arbitrageur profits from the imbalance in price on different Exchanges. So in order to profit, the arbitrageur buys at a lower price in one Exchange and sell at a higher price on the other Exchange. Moreover the quantity and price at which an arbitrageur buys / sells a scrip depends on a host of market forces at play at the relevant time, including other traders in the scrip. Therefore, a trader who has adopted its trading strategy as arbitrage, in the extant matter executed through algorithmic trading, will not have complete control over the trades being executed apart from the pre-defined parameters that it has already set in its algorithm.

17. Arbitrage as a trading strategy is permissible within the confines of securities laws and so long the particulars of the said trading strategy are as per the extant laws, no fault can be found with the said trading strategy. In light of the same, it is held that the sell orders executed by the Noticee for miniscule quantity in the scrip are not manipulative in nature.

18. I note that in cases of market manipulation, admittedly, no direct evidence would be forthcoming / available. Manipulative transactions are to be tested on the conduct of parties and abnormality of practices which defy normal logic and laid down procedures. What is needed, is to prove that in a factual matrix, preponderance of *probabilities indicate a fraud. In this regard, the observations of Hon'ble Supreme Court of India in SEBI Vs. Kishore R Ajmera et.al. decided on February 23, 2016 wherein the Hon'ble Court while deciding the matter under SEBI Act and PFUTP Regulations where there was no direct evidence forthcoming, observed as follows:*

"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 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…"

19. The Noticee has submitted data of its trading in 1,210 other scrips during the investigation period reflecting its similar trading strategy of arbitrage in the said scrips. The data shows the particulars of shares bought and sold on a given day at both the Exchanges. Thus, it can be said that doing arbitrage trading is in the normal course of business of the Noticee. The same pattern was followed by the Noticee in the scrip of WYL. Hence, the trading behavior of the Noticee in other scrips also justifies its trading in WYL which has already been held to be not manipulative in nature.

20. In view of the above, the findings that have been gathered from various circumstances for instance the particulars of the buy and sell orders, mode and manner of execution of trades, trading strategy adopted by the Noticee and the trading behavior in other scrips, the totality of the picture that emerges warrants that the Noticee be given a benefit of doubt. Therefore, I am of the considered view that the Noticee has not manipulated the price in the scrip of WYL and has not created a misleading appearance of trading in the scrip during the period February 22, 2013 to April 29, 2013"

xix. *“We also submit herewith the order passed by Adjudication officer of SEBI in our client Nirshilp’s matter for the trades done in Winsome Yarns Ltd. as Annexure F (Soft Copy). The extracts in para’s 18 to 22 from the said order of Hon. Whole Time Member are reproduced below:*

Further, in order to confirm whether the said transactions done were manual or algorithmic an Email dated June 06, 2019 was sent to BSE and NSE. In this regard, BSE had submitted that out of all the trades done by Noticee on BSE only 5 trades were found to be manual / Non Algorithmic and other trades were algorithmic. Also, NSE had submitted that all the trades done by Noticee on NSE were Algorithmic. Thus, the benefit of doubt has to be given to the Noticee as its trading strategy of arbitrage is executed. Also, no adverse findings has been made on the trading strategy executed by the Noticee.

19. It is observed from the records that Noticee has traded 11,570 shares on both BSE and NSE during the investigation period. Out of total number of shares traded, I find that entire 11,570 shares were traded using the arbitrage strategy. Further, it is noted from the records that Noticee has submitted data of its trading in 1,210 other scrips during the investigation period reflecting its similar trading strategy of arbitrage in the said scrips. It shows the particulars of shares bought and sold on a given day at both the Exchanges. Thus, I find that during the normal course of business of the Noticee doing arbitrage trading and the same trading pattern is done in the scrip of WYL by the Noticee.

20. Further it is pertinent to note that the Hon'ble Supreme Court of India in its Judgment in the matter of Securities and Exchange Board of India Versus KishoreR. Ajmera in Civil Appeal No. 2818 of 2008 decided on February 23, 2016 held that:

“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 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."

21. I infer from the above that when no direct evidence is available, Manipulative transactions are to be tested on the conduct of parties and abnormality of practices which defy normal logic and laid down procedures. In the instant case, the particulars of the buy and sell orders, mode and manner of execution of trades, trading strategy adopted by the Noticee and the trading behavior in other scrips shows that Noticee has not involved in any wrong doing. Therefore, I am of the considered view that the Noticee has not manipulated the price in the scrip of WYL and has not created a misleading appearance of trading in the scrip during the period February 22, 2013 to April 29, 2013.

22. After taking into account aforesaid observations, perusal of investigation report, I am of the view that it is difficult to conclude that trades done by the Noticee in the scrip of WYL were intentional and manipulative and I am inclined to conclude that violations of provisions of Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) and (e) of PFUTP Regulations, 2003 by the Noticee do not stand established. Since the alleged violations are not established against the Noticee, Issues No. (b) and (c) require no consideration."

xx. *"Further it may kindly be noted that our client Nirshilp were also issued SCN No. EFD/DRA-3/SPV/DS/17420/2019 dated July 10, 2019 under section 11(4) and 11B read with section 11(1) of SEBI Act, 1992 for its trading in the scrip of Seshasayee Paper and Boards Ltd. (SPBL) ("WTM Proceedings"). Hon'ble WTM Ms Madhabi Puri Buch have passed the order dated 04/03/2020 (Attached as Annexure G) with the following notings:*

i) Nirshilp has submitted that it had traded in 1,209 other scrips during the investigation period in order to support similar trading strategy of arbitrage in the said scrips. The data shows the particulars of shares bought and sold on a given day at both the Exchanges. The data in general suggests that arbitrage trading is in *the normal course of business of Nirshilp. The same pattern was followed by the Noticee in the scrip of SPBL. Hence, the trading behaviour of Nirshilp in other scrips also justifies its trading in SPBL which has already been held to be not manipulative in nature.*

ii) Thus, factors such as the particulars of the buy and sell orders, mode and manner of execution of trades, trading strategy adopted by Nirshilp and the similar trading behaviour followed in other scrips, indicates that benefit of doubt be extended to Nirshilp on the allegation of causing a misleading appearance of trading, and manipulation of the price of the scrip of SPBL. Thus, I am of the considered view that the violation of provisions of section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulations 3(a), (b), (c) and (d), 4(1), 4(2)(a), (b), (e) and (g) of the SEBI (PFUTP) Regulations, 2003 is not established against Nirshilp Commodities."

xxi. "Further in the same matter our client Nirshilp were also issued SCN No. EAD-4/ADJ/GR/AE/OW/22092/6/2019 dated 27/08/2019 under Rule 4(1) of SEBI (Procedure of Holding Inquiry and Imposing Penalties) Rules, 1995 read with Section 15-I of the SEBI Act, 1992 in the Matter of Seshasayee Papers and Boards Ltd. (SPBL). Respected adjudication officer G Ramar has passed the order dated 27/04/2020 (Attached as Annexure H) with following notings:

i) In this regard, Noticee have submitted that self-trade prevention check was introduced by the exchanges only in the year 2015, and was not available during the investigation period. The said Noticees have referenced NSE circular no. NSE/CD/29752 dated 19.05.2015 and BSE circular no. 20150101-31 dated 01.01.2015 in this regard. It was submitted that none of the software systems available in capital market during the investigation period had the capability to restrict a particular order which may result in a self-trade. Therefore the orders would match unintentionally at times leading to the broker and counterparty broker being the same party.

ii) I note that a distinction needs to be made between willful self-trades which is done with a motive to induce other to trade in that particular stock and unintentional self-trades which may occur due to technicalities of the anonymous trading system. In the present case, out of the 426 self-trades, 135 trades were executed at a price below LTP (resulting in negative LTP contribution) and 64 trades were executed at a price equal to LTP (resulting in no LTP contribution) i.e. around 47% of the self-trades did not contribute to positive LTP. I further note that the percentage of the self-trades executed by Nirshilp as against the total market volume in the scrip of Seshasayee in BSE during the investigation period is 0.021%, which is miniscule. As per the submission of Noticee 6 and 7, all the self- trades in question were executed by the automated algorithm employed by them. I note that the said Noticees have already stated that they employed NSE-BSE arbitrage strategy wherein they execute 2 trades i.e. one trade in either exchange to profit from the price imbalance in both the exchanges. It was submitted that the self-trades have occurred on account of buy and sell orders placed at different point of time in trading system and these have matched with each other on account of movement in price of the stock of the scrip. As per the aforesaid Noticees' submission, it has been brought out while using the automated trading, they may not have complete control over the trades being executed apart from the pre-defined parameters that it has already set in its algorithm. The SCN and the material available on record, do not bring out any fact to suggest that the self-trades in Seshsayee scrip at BSE were placed intentionally by Nirshilp. In my view, such unintentional trades should not be construed as manipulative

iii) Overall, it is observed that Nirshilp has demonstrated that it was using NSE-BSE arbitrage trading strategy. From the data submitted by Noticee Nos. 6 and 7, it is noted that Nirshilp is buying and selling in the scrip intraday and mostly squaring off *its position. Further, it is noted that during the investigation period, Nirshilp has bought 12,951 shares at BSE and sold 12,942 shares at NSE. It is also observed that it bought 10,595 shares at NSE and sold 10,604 shares at BSE during the same period. Such matching of the no. of shares with regards to the buy in one exchange and sell in the other exchange shows that it was mostly employing the arbitrage trading strategy. It is also observed from the data provided by Noticee 6 and 7 that Nirshilp buys on one exchange and then sells it on the other exchange with slight variation in price and within a couple of seconds, i.e. as soon as the trades get executed on one exchange, Nirshilp squares off the opposite trade in the other exchange. They have also submitted that they follow the same strategy in more than 1200 scrips. Hence, the trading behavior of Nirshilp in other scrips also justifies its trading in Seshasayee which has already been seen to be non-manipulative. Arbitrage as a trading strategy is permissible within the confines of securities laws and so long the particulars of the trading strategy are as per the extant laws, no fault can be found with the said trading strategy. In light of the same, I find that the buy and sell orders executed by Nirshilp in the scrip are not manipulative in nature.*

iv) I also find merit in the aforesaid Noticees' submission that the SCN has considered trades done only at BSE and did not consider the counter leg trades done by Nirshilp at NSE. The trades at BSE in isolation without considering the counter trades at NSE do not represent the complete state of affairs. Thus, in view of the factors (as discussed above) such as the particulars of the buy and sell orders, mode and manner of execution of trades, trading strategy adopted by Nirshilp and the similar trading behaviour followed in other scrips, I find that benefit of doubt can be extended to Nirshilp on the allegation of causing a misleading appearance of trading, and manipulation of price. Thus, I am of the considered view that the alleged violation of provisions of Section 12A(a), (b) and (c) of the SEBI Act, 1992 read with Regulations 3(a), (b), (c) and (d), 4(1), 4(2)(a), (b), (e) and (g) of the PFUTP

Regulations is not established against Noticee 6 (Nirshilp). In the same light, I find that the alleged violation of Sections 12A (a),(b),(c) of SEBI Act, 1992 read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) of PFUTP Regulations, and Clause A (2) of Code of Conduct for Stock Brokers as specified under Regulation 7 (now Regulation 9 w.e.f. September 27, 2013) of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 against Noticee 7, as a broker of Nirshilp, are also not established.

v) Considering all the facts and circumstances of the case and evidence on record, since the allegations levelled against Noticee are not established, therefore the adjudication proceedings initiated against the Noticee Nos. 6 and 7 vide the SCN dated August 27, 2019 stands disposed of without imposition of penalty."

xxii. *"In the light of the aforesaid submission we most respectfully submit that no adverse inference may be drawn from the observation that in spite of sell order quantity being large, we bought small quantity of shares in each transaction which contributed to price rise through positive LTP or price fall through negative LTP. We repeat that our orders were placed in order to even out the arbitrage position as is evident from Annexure A to our reply."*

xxiii. *"The trading pattern and strategy used in trading in the scrip of Crest Ventures Limited is identical with the trading pattern in the scrips mentioned in above orders issued by Hon'ble WTM and Respected Adjudicating Officers. All the above orders are issued in favour of Nirshilp Commodities and Trading Pvt. Ltd. (formally known as Nirshilp Securities Pvt. Ltd.)."*

xxiv. *"We deny our self-trades which contributed positive or negative LTP and being repetitive in nature, manipulative and were with an intent to increase or decrease the price of the scrip. It is submitted that we have not only sold but also bought shares in CREST on behalf of our client during the investigation period. It is* *therefore, submitted that concluding on the basis of gross aggregation of LTP is flawed."*

xxv. *"Without prejudice to the aforesaid contention, we most respectfully submit as under: Self Trade Prevention Check - That Self Trade Prevention Check was introduced by the Exchanges only in the year 2015 and was not available during the investigation period. Relevant paragraphs of NSE and BSE circulars are reproduced herein below:*

I. NSE Circular reference no. NSE/CD/29752 dated 19.05.2015

If an active order is likely to match with a passive order belonging to the same member-client or same member-proprietary combination in the same order book, then such an order (full or partial as the case may be) shall be cancelled by the exchange with rejection message 'Order cancelled by the system-The order could have resulted in self-trade.

II. BSE Circular no. 20150101-31 dated 01.01.2015

The Self-trade prevention check (STPC) functionally is being introduced with the purpose of prevention matching between a buy and a sell order entered in the same order book by a member for the same client code originating from same or different trading terminals of the member.

If an incoming order is likely to match with a passive order belonging to the same member and client code combination in the same order book, the system shall cancel such incoming order thus preventing a self trade.

If an active order is likely to match with a passive order belonging to the same member-client or same member-proprietary combination in the same order book, then such an order (full or partial as the case may be) shall be cancelled by the exchange with rejection message 'Order cancelled by the system-The order could have resulted in self-trade.

We state and submit that none of the software systems available in capital market during the investigation period had the capability to restrict a particular order which *may result in a self trade. Thus, the Exchanges were ill-equipped to deal with the concept of self trades. Therefore, the orders would match unintentionally at times leading to the broker and counter broker being the same party.*

We most humbly submit that on automated and blind mechanism of the exchange such matching of the trades was beyond our control or knowledge and therefore no adverse inference may be drawn there from."

xxvi. *"In respect of the self-trades occuring because of these algorithimic trades in the investigation period, we would like to submit as under:-*

i. Most of these self-trades have occured because of trades executed on different terminals by different traders;

ii. These are accidental self-trades which arise because of the fact that the algorithim has to modify the original orders, because of original orders remaining unexecuted, in order to cut possible losses;

iii. SEBI has already taken decisions in several cases (both in whole time member's and adjudicating proceedings that accidential self trades are not to be punished)"

xxvii. *"In the matter of self trades we also crave leave to rely on following orders:*

Adjudicating Officer's Order no. EAD/AO-NP/JR/47/2017 dated 19.06.2017 in the matter of "Unitech Limited" wherein it has been observed as under:

"Pursuant to the issue of SCN, Securities and Exchange Board of India (hereinafter referred as "SEBI") has recently decided a policy dated May 16, 2017 with respect to ongoing cases dealing with non-manipulative self-trades which states, inter alia, "…it is observed that intention is a sine qua non for establishing manipulation in case of self-trades and accidental/unintentional self-trades are not covered under the said regulations. Accordingly, mere occurrence of self-trades should not be consider as per se illegal in the absence of any other additional evidence to prove manipulation or intent to defraud as is done in cases of synchronized trades. Therefore, in all matters of self-trade, an assessment has to be made regarding whether the said trade was intentional or unintentional on the basis of supporting evidence and the manipulation caused by indulging in self-trades should be clearly brought out."

"The quasi-judicial authority may access on the basis on SCN/Investigation report whether any manipulation is arising out of self-trade or any intention to enter into

self-trade is evident from the material on record. If the manipulation or intent can be established the same may be proceeded with as approved. However, if no intention or manipulation is evident from the case and the only charge is mere occurrence of self-trades, then the entity may be exonerated by the quasi judicial authority. Further, while assessing the manipulative intent, the volume transacted may also be considered in addition to the other factors."

Adjudication Order No. EAD/NP/JS/AO/21/2017 dated 22.02.2017 in the matter of MIC Electronics Ltd. wherein it has been observed as under:

"25. …….the quantum of self- trades by the Noticee 1 is not of such magnitude vis-à-vis total volume in stock of MIC on daily basis that it could adversely affect equilibrium of the market as a whole in terms of price or liquidity in stock of MIC. Self-trades of Noticee 1 are few and far in the light of the way the Noticee, as a momentum trader, trades in the dynamic market. In light of the facts and circumstances of the cases, I am inclined to accept the submissions of the Noticee. It may also be noted that BSE vide its notice no. 201510073 dated October 07, 2015 introduced system to curb such practices and such self trade would be systematically restricted by trading system itself.

26. Since it is not established that Noticee 1 had entered into self-trades repetitively to create artificial volume in the scrip, there is no case to draw any adverse inference on Noticee 2 either that it had failed to adhere to the Code of Conduct as prescribed under Schedule II read with Regulation 9 of SEBI (Stock Broker and Sub broker) Regulations, 1992."

Adjudication Order No. EAD/NP/JS/AO/22/2017 dated 27.02.2017 in the matter of MIC Electronics Ltd. wherein it has been observed as under:

"22. The necessity of 'Intent' and the element of "fraud" appears to be a pre-requisite in all the parts of Regulations 3 and 4 of the PFUTP Regulations. "Fraud' has been principally defined under Regulation 2(c), though inclusively, to mean such trades which are entered into in order to 'induce others'. Regulations 4(2) are very specific in nature. The test laid down in the regulation demand a manipulative intent to affect market information. Even clause (a) as a strict liability clause, the test is to prove 'misleading appearance of trading'. In instances, where evidence of material market

harm' is absent and where self-trades constitute low fraction of the total trading volume in the scrip whereby the materiality of those trade on market is negligible, those self trades like synchronized trades, should not be considered to be manipulative under PFUTP regulations. Self- trade found in otherwise a liquid script and where no connection is established between the trades then such self-trades many not be in violations of provisions of PFUTP regulations. Thereafter, cases where the shares traded are highly liquid and self-trades happen due to other technical reasons, the requirements of Regulations 4 of PFUTP are not met.

23. Therefore, a distinction needs to be made between 'willful self-trades' which is done with a motive to induce other to trade in that particular stock and 'unintentional self-trades' which are in the nature of jobbing and had occurred due to technicalities of the anonymous trading system. Self-trades, if material whether or not substantial, if affect market information regarding that security, a single self-trade of even one share should be deemed to adversely affect the market. While deciding the case of Religare Securities Ltd Vs. SEBI decided on 12.01.2016, SAT observed that "if appellant had glanced through the trades executed by the said client it would have revealed that the said client had time and again indulged in unusual trades by trading in single share and each of such trade contributed price rise by about 2% from last LTP, certainly appellant would have noticed the anomaly". It is therefore important to analyze whether intention to manipulate or commit fraud is present and if intention is established the penalty must match with the 'materiality of market harm'. The SAT in its order in case of KSL & Industries Ltd v. SEBI vide appeal no.9/2003 has held that "I do not find any material on record in support of the said charge. A wild allegation of market manipulation, in particular the charges of fraudulent action unsupported with convincing evidence are not sustained. Fraud cannot survive on mere conjecture and surmises." The materiality has to be substantiated by evidence on record."

Adjudication Order No. EAD-2/DSR/KM/108-115/2014 dated 30.04.2014 in the matter of Gayatri Projects Limited wherein it has been observed as under:

"28. The Hon'ble Securities Appellate Tribunal (vide its order dated January 24, 2014) in the case of Smt. Krupa Sanjay Soni vs. SEBI, had observed that "This Tribunal has taken a consistent view that a few instances of self trades in themselves would not, ipso facto, amount to an objectionable trades." Therefore, I find that, in

the instant case, the evidence and material available on record is insufficient to hold that the trades executed by the Noticee no. 1 to 4 had created artificial volume in the scrip (leading to a false and misleading appearance of trading) in as much as there were very few and negligible instances of self trades as evident from above. Further, I find that there is no allegation against the Noticee that they had indulged in price manipulation. Accordingly, I also find that their respective brokers i.e. Noticee No. 5 to 8 cannot be held guilty of violating the provisions of law."

Adjudication Order No. EAD-2/AO/143/2013 dated 14.02.2013 in the matter of Wockhardt Limited wherein it has been observed as under:
"17. There is no allegation against the Noticee that it had indulged in price manipulation except that the aforementioned self trades resulted in creation of artificial volume. I am of the view that under the above circumstances some of the trades could automatically match resulting in self trades on the automated anonymous trading mechanism. The corroborative evidences available on record are insufficient to substantiate that the trades executed by the Noticee are fraudulent or manipulative.
18. In view of the aforesaid observations and findings, I am inclined to give benefit of doubt to the Noticee and conclude that the violation of provisions of Regulation 3 (a), (b), (c), (d) and 4 (1) & 4(2)(a) and (g) of the PFUTP Regulations and Clauses A(1), (3), (4) and (5) of the Code of Conduct as specified under Schedule II of regulation 7 of the Broker Regulations do not stand established and that the Noticee is exonerated from the charges leveled against it in the SCN."

xxviii. *"In the light of above contentions it is most humbly submitted as under:*

i. It may be appreciated that the self-trades have occurred on account of buy and sell orders placed at different point of time in trading system and these have matched with each other on account of movement in price of the stock of the scrip. Also, the quantum of self-trades was not of such magnitude vis-à-vis total volume in stock of scrip on daily basis that it could adversely affect equilibrium of the market as a whole in terms of price or liquidity in stock of Scrip. Self-trades were few in the light of the total transactions in the scrip.

ii. Further the self trades are executed in either side of price not particularly in one direction to influence the price discovery process. Therefore, it cannot be suggested that self-trades were executed with the intent of bringing price rise / fall in the scrip of CREST.

iii. Further, we crave leave to rely on order dated 09.03.2018 of Adjudicating Officer passed in the matter of Ess Dee Aluminium Ltd. disposing of the proceedings initiated against us vide SCN dated 18.03.2014 wherein it has been observed as in under para 18 page 11 as:-

"I am of the considered view that a charge of market manipulation due to self-trades should be made on the basis of strong and cogent evidence, which is lacking in this case. On comparing the volume of self-trades done by the Noticee during the investigation period, with the total market volume of EAL on BSE, I find that the contribution of such self-trades by the Noticee is miniscule and insignificant. It is essential to establish the circumstances under which self-trades have been entered and the impact it had on the market. I am of the view that it is necessary to establish that either there was an intent to manipulate the market in case of self-trades or a loss has been caused to other investors due to such self-trades. Accordingly, mere occurrence of self-trades should not be considered as per se illegal in the absence of any other additional evidence to prove manipulation or intent to defraud as it is done in cases of synchronized trades. The said order is submitted herewith as Annexure I (Soft Copy)."

xxix. "In the same matter of Ess Dee Aluminium Ltd. in our case adjudicating officer had charged penalty of Rs.11,00,000/- on us i.e. Shailesh Shah Securities Pvt .Ltd.. We had filed appeal against the said order in Securities Appellant Tribunal (SAT). SAT had issued the order in our favour and SEBI has refunded the penalty of Rs.11,00,000/- charged to us as per the SAT order."

xxx. *"In the light of the aforesaid submissions we deny that we have used or employed any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or regulations made thereunder in connection with purchase or sale of scrip CREST on behalf of Nirshilp. We have not engaged in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in shares of CREST on behalf of Nirshilp in contravention of the provisions of the Act or the rules and the regulations made there under. Further in the light of the aforesaid submissions we vehemently deny that we created a misleading appearance of trading in the scrip by such trades with volume in small quantities and price above LTP and with each trade manipulated the scrip price resulting in higher price."*

xxxi. *"We deny that there was no bona-fide intention on our part to sell the shares, but to mark the price higher than the last traded price and manipulate the scrip price. We vehemently deny that we had significantly contributed to rise in the scrip price and have created a misleading appearance of trading in the scrip by such manipulative trades. We deny that we have bought, sold or otherwise dealt in securities in a fraudulent manner or used or employed, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under; or employed any device, scheme or artifice to defraud in connection with dealing in the scrip of CREST. We deny that we have engaged in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in the scrip CREST in contravention of the provisions of the Act or the rules and the regulations made there under. We deny that we have indulged in a fraudulent or an unfair trade practice in securities by way of indulging in an act which creates false or misleading appearance of trading in the securities market as alleged. We further deny that any act or omission amounted to manipulation of the price of a security."*

xxxii. *"We state that Nirshilp trades were not artificial in as much as they purchased/ sold shares and the difference had been accounted for, either as a debit in their account or as a credit in account. Further the shares, which were accepted as delivery, could not have created artificial or false market. Similarly in case of sale of shares, when delivery has taken place, it could not have created artificial or false market and hence we cannot be alleged to have directly or indirectly bought, sold or otherwise dealt in CREST in a fraudulent manner. Further genuine trades ought not to be deemed to have been employed as a device, scheme or artifice to defraud in connection with dealing in CREST and that the allegation that we engaged in any act or practice in the course of business which operated or would have operated as fraud or deceit upon any person is misconceived. We repeat and reiterate that we carry out trades for our client with sole intention to earn the price difference in arbitrage opportunities. It may be appreciated that it is totally unreasonable to allege that we could have engaged in an act of fraud or deceit upon any person."*

xxxiii. *"It is submitted that genuine trades cannot attract the provisions of the PFUTP Regulations even if such a transaction had resulted in price variation. We state that the PFUTP Regulations may be attracted only if the transaction is made with an intention to artificially raise or depress the price of securities so as to induce any other person to sell or purchase the securities. The SCN has failed to produce any credible evidence against us for the same. We submit that a mere possibility, cannot and should not, be used as a base for framing charges of the said violations. Further, relying on such presumptions and assumptions would lead to misapplication of facts and grave and serious miscarriage of justice. It is submitted here that we have done arbitrage in the scrip CREST for our client. They have also effected deliveries of the scrip in the respective exchange i.e. given delivery in one exchange and taken delivery in other exchange. The same can be seen from the demat statement of Nirshilp submitted by us as Annexure C. Therefore we deny the fact that we were dealing in security without intention to effect transfer of beneficial ownership but* *intended to operate only as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gain or avoidance of loss."*

xxxiv. *"It is further denied that we have indulged in fraudulent or unfair trade practices in securities or have dealt in securities deemed to be fraudulent or unfair trade practice. Further we have not indulged in any act which has created any false or misleading appearance of trading in the securities market or have dealt in security not intended to effect transfer of beneficial ownership or done any act to manipulate price of security. It may be appreciated that the Exchanges invariably issue warning and caution to all in the event that it has reason to believe of a possible manipulation which was not the case in CREST. In the absence of any such caution, any apprehension of a possible violation is impossible to detect and perceive. We also deny that we were entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security, since our client was holding shares in their demat account and deliveries were made to the exchange."*

xxxv. *"We state that the allegations made in and findings arrived at in the SCN as against us are misconceived and based on incomplete and incorrect assumption of facts. We vehemently deny that we have violated Section 12A of the SEBU Act,1992, Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2)(a),(b),(e),(g) of SEBI (PFUTP) Regulations, 2003. We most humbly submit that on automated and blind mechanism of the exchange such matching of the trades was beyond our control or knowledge and therefore no adverse inference may be drawn there from."*

xxxvi. *"Further we have maintained high standards of integrity, promptitude and fairness in the conduct of our business and have exercised due skill, care and diligence laid down in the code of conduct for Brokers as per Clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with regulation 7/9 of the Brokers Regulations."*

xxxvii. *“We again pray that in the light of our submissions no directions under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules 1995 read with Section 15I of the SEBI Act, 1992 be issued against us and the proceedings against us be dropped.”*

13. Noticee 2 was granted an opportunity of hearing before the erstwhile Adjudicating Officer on October 22, 2020 vide Hearing Notice dated October 07, 2020 which was duly served upon Noticee 2 by email dated October 07, 2020. Noticee 2 appeared for the scheduled hearing through its Authorised Representatives (ARs), Mr. Pankaj D Shah and Mr Ashish D Jhaveri. The ARs reiterated the submissions of Noticee 2 made in the reply dated September 22, 2020. In view of the appointment of the undersigned as Adjudicating Officer vide order dated June 18, 2021, an additional opportunity of hearing on February 09, 2022 was also given to Noticee 2 vide Hearing Notice dated January 28, 2022 which was duly served on Noticee 2. Thereafter, the Noticee appeared for the scheduled hearing through its Authorised Representatives (ARs), Mr. Pankaj D Shah and Mr Ashish D Jhaveri. The ARs reiterated contents of the reply dated September 22, 2020 by highlighting the following, on behalf of Noticee 2:

a. *Trades were done through automated systems and trades were purely related to NSE/BSE arbitrage.*

b. *SCN only considers trades in BSE, not in NSE.*

c. *Earned only around Rs. 31000/- for the entire trades. Permission already in Exchange authorized systems*.

d. *Self- trade prevention was institutionalized only in 2015 and in the automated system, such matching of trades was beyond their control*.

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

14. I have carefully examined the allegations in the SCNs, material available on record and the submissions made by the Noticees. The issues that arise for consideration in the present case are:

    I. a) Whether the Noticee 1 has violated the provisions of section 12A of SEBI Act read with regulation 3 (a), (b), (c) and (d), regulations 4(1) and 4(2)(a) of the PFUTP Regulations, and Clause A (2) of Code of Conduct for Stock Brokers as specified under Regulation 7 (now Regulation 9 w.e.f. September 27, 2013) of Stock Brokers Regulations?

    b) Whether the Noticee 2 has violated the provisions of section 12A of SEBI Act read with regulation 3 (a), (b), (c) and (d), regulations 4(1) and 4(2)(a) of the PFUTP Regulations, and Clause A (2) of Code of Conduct for Stock Brokers as specified under Regulation 7 (now Regulation 9 w.e.f. September 27, 2013) of Stock Brokers Regulations?

    II. Do the violations, if established, attract monetary penalty under Sections 15HA and 15HB of SEBI Act?

    III. 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?

15. Before proceeding further, I find it relevant to refer to the relevant provisions of the SEBI Act, PFUTP Regulations and Stock Brokers Regulations alleged to have been violated by the Noticees, as below:

    SEBI Act

    Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. *No person shall directly or indirectly—*

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

PFUTP Regulations

3. *Prohibition of certain dealings in securities*

No person shall directly or indirectly—

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

(b) *use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*

(c) *employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*

(d) *engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) *Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*

(2) *Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—*

(a) *indulging in an act which creates false or misleading appearance of trading in the*

Stock Brokers Regulations

Conditions of registration.

9. *Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely,-*

…

(f) *he shall at all times abide by the Code of Conduct as specified in Schedule II;*

SCHEDULE II

Securities and Exchange Board of India (Stock Brokers) Regulations, 1992

CODE OF CONDUCT FOR STOCK BROKERS

[Regulation 9]

A. General*.*

(2) *Exercise of due skill and care: A stock-broker shall act with due skill, care and diligence in the conduct of all his business.*

<u>**Issue No. 1(a): Whether Noticee 1 has violated the provisions of section 12A of SEBI Act read with regulation 3 (a), (b), (c) and (d), regulations 4(1) and 4(2)(a)**</u>

of the PFUTP Regulations, and Clause A (2) of Code of Conduct for Stock Brokers as specified under Regulation 7 (now Regulation 9 w.e.f. September 27, 2013) of Stock Brokers Regulations?

16. Before going into the merits, I would like to first deal with the preliminary objection raised by Noticee 1 w.r.t. delay in initiating proceedings. I note that the Noticee 1 has contended that the SCN 1 ought to be set aside on the ground of inordinate delay in the issuance of the same. Noticee 1 has contended that the allegations relate to the investigation period of December 15, 2011 to October 09, 2014. Noticee 1 has contended that the long delay had prejudiced its ability to adequately respond to the SCN since the documents pertaining to the alleged violations were not readily available with them. I note that in the case of Bharat J Patel & Others vs. SEBI, decided vide order dated September 8, 2020, the Hon'ble SAT had emphatically iterated that "*whether delay has caused prejudice to the parties would depend on the facts of each case."* I also note that the investigation in the matter pertained to the period between December 15, 2011 and October 09, 2014. The investigation was initiated and it involved complex and detailed Self-trade analysis, LTP Analysis, Broker and Client Concentration Analysis, Synchronized Trade Analysis and discovery and establishment of connection between 16 connected entities of Bharat Patel Group. The investigation was completed on March 29, 2019 and adjudication proceeding and Whole Time Member (WTM) proceeding were approved on the same date. Thereafter, the first SCN in the matter was issued in the WTM proceedings on August 05, 2019. It is also noted that Shri Santosh Shukla was originally appointed as the Adjudicating Officer in the captioned matter on July 12, 2019. Subsequently, Shri Amit Pradhan was appointed as the Adjudicating Officer on August 25, 2020, consequent to the transfer of Shri Santosh Shukla and the SCNs were issued on September 09, 2020. Thereafter, the undersigned was

appointed as the Adjudicating Officer in the matter by SEBI vide its order dated June 18, 2021.

17. I note that it is the submission of Noticee 1 that the mandatory requirement for stock broker to preserve records is of 5 years. In this regard, I note that the Stock Broker Regulations provide for maintenance of records for a minimum period of 5 years and not otherwise. The Noticee 1 has failed to state as to what record/document/evidence that could not be accessed/obtained because of the alleged passage of time which has prejudiced its ability to defend itself. I note that the Noticee 1 was provided with the following documents along with the SCN: a) Price volume data during the investigation period, b) Basis of connection amongst the Bharat Patel Group, c) Copy of trade and order log received from BSE and NSE. Thus, looking at the material available at the disposal of the Noticee 1, I find that the Noticee 1 has been provided with all the material that would have been abundantly adequate to facilitate recollection of events or collection of relevant data and thereby enabling it to form a definite defense to the charges in SCN 1, which it has submitted vide its reply dated October 20, 2021. In view of the above facts, I find that no prejudice has been caused to Noticee 1, nor has Noticee 1 been able to sufficiently make out a case about the prejudice due to the alleged delay in the issue of the SCN. Thus, in view of the above, I find that the proceedings against Noticee 1 have been initiated within a reasonable period of time. I note that the Noticee 1 has merely expressed its inability to defend itself, without specifically pointing out the prejudice, if any, that has been caused to it due to the alleged delay in the issuance of the SCN. Thus, I find that the contentions of Noticee 1 in this regard are without merit.

18. I note that the main allegation against the Noticee 1 is that it acted as a broker and counterparty broker for 14 out of 16 synchronized trades at BSE for a quantity of 18,77,141 shares (61% of the synchronized trades of the Bharat Patel Group and 2.33% of the market volume) executed by 5 group entities (out of total 16 suspected

entities of Bharat Patel Group) which had indulged in synchronized trades. It was alleged that all the synchronised buy and sell trades by the said 5 group entities were executed from terminal ID 4 and 6 of Noticee 1, and two of the suspected entities Hardik Bharat Patel and Minal Bharat Patel are directors of Noticee 1. Thus, it was alleged that Noticee 1 was also connected to the suspected entities which have indulged in synchronized trades. In view of the same, it was alleged that the Noticee 1 facilitated their fraudulent trades and created misleading appearance of trading in the scrip without any intention of change in ownership of the security. Further, it is alleged that Noticee 1 being a SEBI registered broker was bound to maintain high standards of integrity, promptitude and fairness in the conduct of its business and it failed to exercise due skill, care and diligence laid down in the code of conduct for Brokers enshrined in Stock Broker Regulations.

19. I note that upon perusal of the reply of the Noticee 1 and documents available on record, it is not in dispute that Noticee 1 acted as a broker and counterparty broker in respect of 14 out of 16 synchronized trades at BSE for a quantity of 18,77,141 shares (61% of the synchronized trades of the Bharat Patel Group and 2.33% of the market volume) of 5 group entities (out of total 16 suspected entities of Bharat Patel Group) during the investigation period. I also note that Noticee 1 was connected to the Bharat Patel Group based on the fact that all the synchronised buy and sell trades by the said 5 group entities were executed from terminal ID 4 and 6 of Noticee 1, and two of the suspected entities Hardik Bharat Patel and Minal Bharat Patel are directors of Noticee 1. In this regard it has been contended by Noticee 1 that it was a legal entity having its own distinct identity separate from its members and clients. It has also been contended by Noticee 1 that there is no prohibition against trading by connected parties or for an intermediary to cater to their clients who may be connected and even against negotiated trades between connected parties. Thus, I note that Noticee 1 has not disputed that it was connected to the 5 group entities of

the Bharat Patel Group. I also note that there is no prohibition against trades by connected parties in the ordinary course of trading unless facts and circumstances demonstrate that such trades are fraudulent or manipulative. It has also been contended by Noticee 1 that no connection was alleged in the SCN 1 between Noticee 1 and its clients, and the promoters or directors of Crest. In this regard I note that the allegations made in the SCN 1 pertain to the synchronized trades of the 5 group entities which were facilitated by Noticee 1 which was connected to the Bharat Patel Group. Therefore, I am inclined to accept the aforesaid contentions of Noticee 1.

20. I further note that Noticee 1 has contended that the 16 trades of the 5 group entities were all on different days spanning across a period of three years between 12th March 2012 to 20th March 2014, and all for different quantities and the variation in quantity was from 192 shares to more than 6,00,000 shares. It has also been contended that that there was no drastic or unrealistic movement in the price or volume in the scrip of Crest as a result of the trades in question. In this regard, I note that the entity-wise details of synchronized trades by 5 group entities are as follows:

Table of Synchronised Trades

Buyer	**Seller**	**Synchronized Qty.**	**% of Sync. Vol. to Mkt. Vol.**	**No. of Trades**	**No. of days**
		BSE			
Pasha Finance Pvt. Ltd	Acira Consultancy Pvt Ltd	6,31,893	3.65	2	2
Fidelity Multitrade Pvt. Ltd	Pasha Finance Pvt. Ltd	6,18,912	3.58	9	1
Fidelity Multitrade Pvt. Ltd	Bharat J Patel	6,10,597	3.53	1	1

Fidelity Multitrade Pvt. Ltd	Acira Consultancy Pvt Ltd	1,802	0.01	1	1
Bharat J Patel	Acira Consultancy Pvt Ltd	5,48,101	3.17	1	1
Acira Consultancy Pvt Ltd	Pat Financial Cons Pvt. Ltd	3,330	0.02	1	1
Acira Consultancy Pvt Ltd	Pasha Finance Pvt. Ltd	6,21,204	3.59	1	1
		30,35,839	17.55	16	8
NSE					
Pasha Finance Pvt. Ltd	Bharat Jayantilal Patel	3,32,500	2.92	5	5
Pasha Finance Pvt. Ltd.	Fidelity Multitrade Pvt. Ltd	7,641	0.07	1	1
Bharat Jayantilal Patel	Pasha Finance Pvt. Ltd	1,80,402	1.58	1	1
Acira Consultancy Pvt Ltd	Bharat Jayantilal Patel	192	0.00	1	1
Acira Consultancy Pvt Ltd	Fidelity Multitrade Pvt. Ltd	42,997	0.38	1	1
		5,63,732	4.95	9	9

21. From the above table, it is noted that the 5 group entities executed such trades on BSE within the group for 30,35,839 shares (17.55% of the market volume) in 16 trades over 8 trading days. In this regard, the order log trade log for the impugned 16 trades has been perused and it reveals the following details:

Date	Buyer Name	Seller Name	Trade Quantity	Time Difference	Price Difference	Quantity Difference
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00

14.03.2012	Bharat Jayantilal Patel	Acira Consultancy Private Limited	548101.00	00:00:03	0.00	0.00
20.03.2012	Fidelity Multitrade Pvt. Ltd.	Bharat Jayantilal Patel	610597.00	00:00:08	0.00	0.00
12.03.2012	Acira Consultancy Private Limited	Pasha Finance Pvt. Ltd.	621204.00	00:00:03	0.00	0.00
28.03.2013	Pasha Finance Pvt. Ltd.	Acira Consultancy Private Limited	4393.00	00:00:10	0.00	0.00
03.04.2013	Fidelity Multitrade Pvt. Ltd.	Acira Consultancy Private Limited	1802.00	00:00:11	0.00	0.00
08.05.2013	Acira Consultancy Private Limited	Pat Financial Consultant Pvt Ltd	3330.00	00:00:01	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	58912.00	00:00:03	0.00	0.00
03.04.2013	Pasha Finance Pvt. Ltd.	Acira Consultancy Private Limited	627500.00	00:00:00	0.00	0.00

22. It is clear from the above table that the 5 group entities have executed 16 trades wherein the price and quantity were exactly matching between the buy and sell orders and time difference was 0, on 8 trading days out of an Investigation Period stretching over almost three years. Therefore, I note that the frequency of the impugned trades of the 5 group entities was negligible. I also note that, out of the total trades executed by the 5 group entities in the scrip of Crest, the trades which were facilitated by Noticee 1 contributed to mere 2.33% of the market volume. Thus, I find that the contribution of the impugned trades to the market volume was also insignificant. Hence, I find merit in the contention of Noticee 1 that the 16 trades of the Bharat Patel Group were all on different days spanning across a period of three years between 12th March 2012 to 20th March 2014, and all for different quantities and the variation in quantity was from 192 shares to more than 6,00,000 shares. In view of the foregoing, I find that on account of negligible frequency of the synchronised trades as well as the insignificant volume traded by the aforesaid 5 group entities, there was no drastic or unrealistic movement in the price or volume in the scrip of Crest as a result of the trades in question, and therefore, I am inclined to accept the aforesaid contention of Noticee 1.

23. It has been contended by Noticee 1 that the shares were openly sold in accordance with Stock Exchange Mechanism. Noticee 1 has contended that the allegation that there was no change of ownership of the shares traded for and on behalf of the clients of the Noticee is wrong and incorrect. It has been contended that since the trades were not squared off on the same day, the beneficial ownership of shares was transferred by means of the trades in question. I note from the material available on record that the trades in question were spread across 8 trading days out of an Investigation Period stretching over almost three years which showed that the frequency of trades was negligible.

24. I note that Noticee 1 has contended that synchronised trades are not illegal or impermissible, if payment was made and delivery of the shares took place. In this regard I note that whether synchronised trades are illegal or not depends on the facts and circumstances in each case. I note that synchronised trading will be illegal or violative of the Regulations if it is executed with a view to manipulate the market or is executed to create false volumes resulting in upsetting the market equilibrium. In this regard, in the matter of *SPJ Stock Brokers Pvt. Ltd. vs. SEBI* (Appeal No. 52 of 2013 decided on September 04, 2013) the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "**SAT**") has taken the following view:

"12. Penalty under impugned order is imposed upon appellant solely on ground that almost all trades in shares of Adani Exports Ltd. effected by appellant during investigation were found to be synchronized and those trades were with only one group. It is well established by various decisions by this Tribunal that synchronized trade is per se not illegal. Synchronized transaction would be illegal if it is executed

with a view to manipulate the market, is dubious in nature and is executed with a view to avoid regulatory detection, does not involve change of beneficial ownership or is executed to create false volumes resulting in upsetting market equilibrium etc."

25. I also note the following observations made by the Hon'ble Supreme Court in its decision dated February 23, 2016 in *SEBI vs. Kishore R. Ajmera (2016) 6 SCC 368*.:
"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 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."

26. The aforesaid observation was also relied upon by Hon'ble Supreme Court in its decision dated February 08, 2018 in the matter of *SEBI vs. Rakhi Trading and Ors. (2018) 13 SCC 753* wherein the following was observed:

"Findings must be gathered from patterns of trading data and the nature of the transactions etc. Several circumstances of a determinative character coupled with the inference arising from the conduct of the parties in a major market manipulation could reasonably lead to conclusion that the Broker was responsible in the manipulation. The evidence, direct or circumstantial, should be sufficient to raise a presumption in its favour with regard to the existence of a fact sought to be proved.

As pointed out by Best in "Law of Evidence", the presumption of innocence is no doubt presumption juris; but everyday practice shows that it may be successfully encountered by the presumption of guilt arising from circumstances, though it may be a presumption of fact. Since it is exceedingly difficult to prove facts which are especially within the knowledge of parties concerned, the legal proof in such circumstances partakes the character of a prudent man's estimate as to the probabilities of the case.”

27. Applying the test laid down in Kishore R. Ajmera case to the present case, I find that in the present case no direct or circumstantial evidence leads to an inference that the 5 group entities had executed the impugned 16 trades on 8 days spanning over 3 years from 2012 to 2014 in order to manipulate the market. I find that the material available on record does not establish any connection between Crest and the 5 group entities or bring out any modus operandi through which the 5 group entities had gained any advantage due to the artificially increased volume of trading in the scrip of Crest during the Investigation Period. I find that in an Investigation Period spreading over almost three years, the impugned 16 trades of the 5 group entities were only on 8 days (with one trade on each of these days, except 20.3.2014 which had 9 trades). Therefore, on account of such negligible frequency of the trades of the 5 group entities coupled with the fact that no connection has been established between the 5 group entities and Crest, any manipulative intent is not established on the part of 5 group entities. Since the impugned trades of the 5 group entities, which were facilitated by Noticee 1, contributed to mere 2.33% of the market volume, I find that the contribution of the impugned trades to the market volume was also insignificant. I note that even the findings of investigation do not show any significant impact of the impugned trades on the price of the scrip of Crest. Since, the trades of the clients of Noticee 1 are not found to be in violation of Section 12A (a), (b) and (c)

of SEBI Act, read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) and (g) of PFUTP Regulations, the allegations against Noticee 1 as the broker to the 5 group entities, for violation of Section 12A (a), (b) and (c) of SEBI Act read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) of PFUTP Regulations and clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 (now Regulation 9 w.e.f. September 27, 2013) of Stock Brokers Regulations do not stand established.

Issue No. 1(b): Whether Noticee 2 has violated the provisions of Section 12A (a), (b) and (c) of SEBI Act, read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) of PFUTP Regulations read with clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 (now Regulation 9 w.e.f. September 27, 2013) of Stock Brokers Regulations?

28. I note that the main allegation against the Noticee is that it acted as the buy and sell broker in respect of the trades of Nirshilp in the scrip of Crest for all its positive and negative LTP trades including all the self trades. I note that allegations pertaining to the trades of Nirshilp allegedly facilitated by Noticee, with regard to positive and negative contribution to LTP in the scrip of Crest are only based on trades of Nirshilp at BSE.

29. Noticee has submitted that the trades of Nirshilp at BSE are done through the itself (i.e. broker Shailesh Shah Securities Pvt. Ltd.) and trades at NSE are done through the broker Nirpan Securities Pvt. Ltd. both of whom are the associate / group companies. I note that Noticee 2 has submitted that Nirshilp was carrying out arbitrage between the two exchanges i.e. BSE and NSE in the scrip of Crest. It has been contended that Nirshilp was buying on BSE and subsequently selling on the

NSE with slight variation in price and within a couple of seconds, using a BSE-approved automated trading algorithm. It has been contended that as soon as the trades were executed on one exchange, the Noticee 2 squared off the opposite trade in the other exchange. In this regard, Noticee 2 placed reliance upon the details of the trades carried out in the scrip of Crest during the same period (2011-13) on NSE. In this regard, I note that Noticee 2 facilitated 442 trades of Nirshilp in BSE in the scrip during the period from December 15, 2011 to March 30, 2012 ("hereinafter referred to as '**Patch 1**'") and also facilitated 541 trades of Nirshilp in BSE during the period from April 02, 2012 to October 29, 2013 ("hereinafter referred to as '**Patch 2**'"). I note that when the impugned trades on BSE are juxtaposed vis-a-vis the details of the corresponding trades on NSE produced by Noticee 2, I find that Nirshilp was buying on BSE and selling on NSE and vice versa with slight variation in price and within a couple of seconds, for a small profit margin ranging from 20 paise to Rs. 1.50/-. One illustration for the aforesaid trading pattern is reproduced below:

Date (Patch 1)	**Type of Trade on BSE**	**Buy Order No.**	**Buy Qty**	**Buy Rate**	**Trade Time on BSE (Buy)**	**Trade Time on NSE (Sell)**	**Type of Trade on NSE**	**Sell Order No.**	**Sell Qty**	**Sell Rate**
12/03/12	Buy	16000359094286	1	55.00	11:24:32	11:24:33	Sell	2012031275947451	1	56.55
06/02/2011	Buy	20000051013231	25	52.60	09:35:11	09:35:11	Sell	2012020675134772	25	52.80
11/01/2012	Buy	15000046013173	1	54.50	09:26:53	09:26:53	Sell	2012011175123420	1	55.95
Date (Patch 2)	**Type of Trade on NSE**	**Buy Order No.**	**Buy Qty**	**Buy Rate**	**Trade Time on NSE (Buy)**	**Trade Time on BSE (Sell)**	**Type of Trade on BSE**	**Sell Order No.**	**Sell Qty**	**Sell Rate**
05/03/2013	Buy	2013030567062033	5	46.05	10:56:59	10:57:00	Sell	23000098151605	5	46.35
19/10/2012	Buy	2012101960320962	1	56.55	11:19:08	11:19:08	Sell	22000142059171	1	57.05
25/04/2013	Buy	2013042566833289	1	43.50	09:28:15	09:28:17	Sell	20000122012497	1	44.00

30. Noticee 2 has submitted that the trades are done at BSE as the counter leg of trades done at NSE or vice versa under the arbitrage strategy. Further, it was submitted that the trade time of the both the legs have very minimal time difference and therefore the intention of executing the trades was only arbitrage and the same are done through automated system of the broker. It was submitted that there was no intention

of increasing / decreasing the LTP. I further note that with respect to the execution of miniscule quantity of buy/sell orders ranging from 1 share to 25 shares, Noticee 2 has contended that the quantity it puts in the order is same as the best bid and ask quantity available in the Exchange. It has been contended by Noticee 2 that a trader who has adopted its trading strategy as arbitrage, as in the present matter executed through algorithmic trading, will not have complete control over the trades being executed apart from the pre-defined parameters that were already set in its algorithm. I note that the trade log and order log of the trades of Nirshilp executed during Patch 1 and Patch 2 of the Investigation Period in the scrip of Crest compared to the details of trades of Nirshilp in Crest on NSE, supports the submission of Noticee 2 that Nirshilp was carrying out these trades for the purpose of arbitrage. I note that arbitrage trades are not expressly barred provided that the same are not unlawful and are not used for price manipulation or undue influence on LTP and in the present matter the algorithm for the said trades were approved by BSE. I also note that the same pattern of trading was followed by Nirshilp in other scrips also and so it can be concluded that the Noticee has adopted similar strategy in the scrip of Crest. Therefore, I accept the aforesaid contention of Noticee 2.

31. I also note that Noticee 2 has also relied upon the order of the Whole Time Member, SEBI dated March 04, 2020 in the matter of Winsome Yarns Ltd. wherein the same Noticee was exonerated without any directions, for the similar pattern of trading in spite of allegation of influencing the LTP. In light of the same, and applying the test laid down in Kishore B. Ajmera matter (supra), I find that the buy/sell orders by Nirshilp allegedly facilitated by Noticee 2 for small quantities in the scrip of Crest as arbitrage transactions to earn small profits ranging from 20 paise to Rs. 1.50/- do not lead to an inference that they were manipulative in nature and executed with a view to manipulate the price of the scrip of Crest. Thus, the allegation of violation of Section

12 A (a), (b) and (c) of SEBI Act, read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) of PFUTP Regulations is not made out against Noticee 2. Therefore, I find that the allegation that Noticee 2 has violated clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 (now Regulation 9 w.e.f. September 27, 2013) of Stock Brokers Regulations does not stand established.

32. It was alleged in the SCN that during Patch -1, out of 442 positive LTP Contributing trades executed by Nirshilp, 26 trades were self-trades which has contributed to positive LTP of Rs.16.75 and all these self-trades, except one, were for one share. Similarly, during Patch-2, it was observed that out of 541 negative LTP Contributing trades by Nirshilp, 39 trades were self-trades which has contributed to negative LTP of Rs.56.95 and all these self-trades, except one, were for one share. In view of the allegation of self-trades by Nirshilp which were allegedly facilitated by Noticee 2, I note that the Noticee 2 has submitted that the self-trades have occurred on account of buy and sell orders placed at different point of time in trading system and these have matched with each other on account of movement in price of the stock of the scrip. It was submitted by Noticee 2 that the quantum of self-trades was not of such magnitude vis-a-vis total volume in stock of scrip on daily basis that it could adversely affect equilibrium of the market as a whole in terms of price or liquidity. With respect to the self-trades executed by Nirshilp in the scrip of Crest during Patch 1 and Patch 2 of the Investigation Period, I note that out of 442 alleged LTP contributing trades in Patch 1, 26 trades were self-trades. Out of 541 alleged negative LTP Contributing trades in Patch 2, 39 trades were self-trades. I note that these instances of self-trades have been extracted from the impugned trades of Nirshilp which were carried out for the purpose of arbitrage, as discussed in the previous paras. I also find that except for two trades, all these self-trades in both patches were for one share. Thus, both the actual number of self-trades as well as the volume of shares were miniscule. I

also find that all these trades were algorithmic trades being executed by automated system and the algorithm was approved by BSE. I also note that in the matter of *Smt. Krupa Sanjay Soni Vs. SEBI* (Appeal No. 32 of 2013) decided on January 24, 2014, the Hon'ble Securities Appellate Tribunal has observed as follows:

> "*This Tribunal has taken a consistent view that a few instances of self trades in themselves would not, ipso facto, amount to an objectionable trades*."

33. As discussed in previous paragraphs, it cannot be inferred that these trades which got executed through algo trading were with a view to manipulate the price of the scrip. I also find that as regards self-trades, before 2015, instances of self-trades used to occur as buy order and sell order from the same clients used to get matched on the system due to various reasons such as different terminals of the same broker and as submitted by Noticee 2 in the present case, due to the algo placing buy and sell orders at different points in time. I note that a distinction needs to be made between willful self-trades which is done with a motive to induce other to trade in that particular stock and unintentional self trades which may occur due to technicalities of the anonymous trading system. In view of the foregoing, I find that self-trades by Noticee 2, in the instant matter cannot be considered to be fraudulent in nature as I do not find any manipulative intent, after having considered the relevant factors relating to manipulative intent, namely, frequency, timing, number of self-trades and trading pattern. I note that investigation is silent on these factors which needed to be taken into account to establish that these self-trades executed by Noticee 2 were manipulative trades, intended to defraud the market. In my view, such unintentional trades should not be construed as manipulative.

35. Overall, it is observed that Noticee 2 has demonstrated that Nirshilp was using NSE-BSE arbitrage trading strategy. From the data submitted by the Noticee, it is noted

that Nirshilp is buying and selling in the scrip intraday and mostly squaring off its position. Further, it is noted that during the period, 15/09/2011 to 08/01/2015, Nirshilp has bought 33,643 shares at BSE and sold 33,617 shares at NSE. It is also observed that it bought 33,948 shares at NSE and sold 33,974 shares at BSE during the same period. Such matching of the no. of shares with regards to the buy in one exchange and sell in the other exchange shows that it was mostly employing the arbitrage trading strategy. It is also observed from the data provided by Noticee 2 that Nirshilp buys on one exchange and then sells it on the other exchange with slight variation in price and within a couple of seconds, i.e. as soon as the trades get executed on one exchange, Nirshilp squares off the opposite trade in the other exchange. It has also been submitted by Noticee 2 that it follows the same strategy in other scrips and stated that arbitrage as a trading strategy is permissible within the confines of securities laws and so long as the particulars of the trading strategy are as per the extant laws, no fault can be found with the said trading strategy as the same cannot be considered manipulative in nature. Therefore, considering the trading pattern of Noticee 2, I am inclined to agree with the contentions of Noticee 2 and I find that the buy and sell orders executed by NiIrshilp in the scrip of Crest cannot be considered manipulative in nature.

36. I also find merit in the submission of Noticee 2 that the SCN has considered trades done only at BSE and did not consider the counter leg trades done by Nirshilp at NSE. I note that the trades at BSE in isolation without considering the counter trades at NSE do not represent the complete state of affairs. Therefore, applying the test laid down in Kishore R. Ajmera case to the present case, I find that in the present case no direct or circumstantial evidence leads to an inference that Nirshilp executed the impugned trades for manipulating the market so as to create a misleading appearance of trading in the scrip of Crest and to manipulate the price of the scrip without any intention of change in ownership of the security. Thus, factors such as

the particulars of the buy and sell orders, mode and manner of execution of trades, trading strategy adopted by Nirshilp and the similar trading behaviour followed in other scrips, indicates that benefit of doubt be extended to Noticee 2 on the allegation that it facilitated the trades of Nirshilp for causing a misleading appearance of trading, and manipulation of the price of the scrip of Crest. Since the trades of the Nirshilp as client of Noticee 2 are not found to be in violation of Section 12A (a), (b) and (c) of SEBI Act, read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) and (g) of PFUTP Regulations, the allegations against Noticee 2 as the broker of Nirshilp, for violation of Section 12A (a), (b) and (c) of SEBI Act read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) of PFUTP Regulations and clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 (now Regulation 9 w.e.f. September 27, 2013) of Stock Brokers Regulations do not stand established.

37. I note that with regard to the aforesaid violations, proceedings under Sections 11(1),11(4), 11(4A), 11B(1), 11B(2) and 15I of the SEBI Act read with the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 were initiated against the aforesaid clients of Noticee 1 and Noticee 2, and vide Order dated March 30, 2022, the Hon'ble Whole Time Member of SEBI disposed off the SCN issued against said clients of Noticees 1 and 2 in respect of the alleged violations of Sections 12A (a),(b),(c) of SEBI Act, 1992 read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) and (g) of PFUTP Regulations, without any directions or imposition of penalty.

38. As the alleged violations are not established against the Noticees, Issues No. 2 and 3 require no consideration. Therefore, I find that no penalty is warranted against Noticees in the instant adjudication proceeding.

ORDER

39. Having considered all the facts and circumstances of the case, the material available on record, the submissions made by Noticees and also the factors mentioned in Section 15J of the SEBI Act, as enumerated above, I, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, hereby dispose of the Adjudication Proceedings initiated against the Noticees by way of SCN vide ref. nos. EAD-2/AP/VS/14725/2020 and EAD-2/AP/VS/14727/2020 dated September 09, 2020.

40. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticees and also to the Securities and Exchange Board of India.

Place: Mumbai	**SOMA MAJUMDER**
Date: April 27, 2022	**ADJUDICATING OFFICER**