<u>BEFORE THE ADJUDICATING OFFICER</u>

<u>SECURITIES AND EXCHANGE BOARD OF INDIA</u>

[ADJUDICATION ORDER NO. Order/MC/VS/2020-21/8430-8433]

UNDER SECTION 15-I (2) OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of

1. **Nilesh Kapadia** (PAN AABPK0356Q) having address at B-306, Oberoi Park View, Thakur Village, Kandivali (East), Mumbai - 400101
2. **Dharmesh Shah** (PAN AAEPS0898Q) having address at Flat No. 6, Air View Apartment, Nehru Road, Vakola Bridge, Santacruz (East), Mumbai - 400055
3. **Ashok Nayak** (PAN AAAPN7882M) having address at 103 Old Sharda Chamber No. 1, First Floor, Fuwara, Bhat Bazaar, Masjid Bunder, Mumbai - 400009
4. **IKAB Securities and Investment Ltd.** (CIN L17100MH1991PLC059848) having address at Raja Bahadur Compound, Building No. 5, 2nd Floor, 43 Tamarind Lane, Fort – Mumbai - 400001

in the matter of HDFC AMC Front Running Trades

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1. Securities and Exchange Board of India (hereinafter referred to as, the "***SEBI***"), initiated adjudication proceedings under Sections 15HA of the Securities and Exchange Board of India Act, 1992 (hereinafter be referred to as, the "***SEBI Act***") for the violations of various provisions of the SEBI Act and the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as the "**PFUTP Regulations**") by Mr.

Nilesh Kapadia, Mr. Dharmesh Shah and Mr. Ashok Nayak (hereinafter referred to as **Noticees 1, 2 and 3** respectively) and under Sections 15HA and 15HB of the SEBI Act for , violations of various provisions of the SEBI Act, PFUTP Regulations and the SEBI (Stock brokers and sub-brokers) Regulations, 1992 ("**Broker Regulations**") by IKAB Securities and Investment Ltd. ("hereinafter referred to as **Noticee 4**").

APPOINTMENT OF ADJUDICATING OFFICER

2. SEBI appointed Shri D Sura Reddy as Adjudicating Officer *vide* an order dated December 24, 2013, to enquire into and adjudge under Section 15HA and 15HB of the SEBI Act the aforesaid alleged violations against Noticees. Subsequently, Shri Sahil Malik was appointed as Adjudicating Officer *vide* Order dated May 18, 2017. The undersigned was appointed as Adjudicating Officer *vide* Order dated December 24, 2019.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice No. EAD-2/KM/8462/2014 dated March 20, 2014 (hereinafter be referred to as, the **'SCN'**) was issued to the Noticees to show cause as to why an inquiry should not be held and penalty be not imposed against the Noticees under Sections 15HA and 15HB of SEBI Act for the aforesaid alleged violations.

4. The allegations made in the show cause notice, are described below:-
   a. SEBI passed an *ad-interim ex-parte* order on June 17, 2010 in the matter of trading activities of Rajiv Ramniklal Sanghvi and Chandrakant P. Mehta *inter-alia* directing "*the Trustees of HDFC Mutual Fund to set up an investigation committee to examine all transactions/dealings done by Mr. Nilesh Kapadia, in his position as the dealer of HDFC Asset Management Company Limited,*

to identify whether he had indulged in similar front-running activities on other occasions". HDFC Asset Management Company Limited (hereinafter also referred to as “HDFC”) vide its letter dated October 25, 2010 submitted that Dharmesh Shah could have front run HDFC trades on 62 transactions and pursuant to the same, SEBI initiated investigations into the said 62 transactions referred by HDFC and to identify the entities that had front run HDFC trades.

b. HDFC had submitted its dealer room conversations i.e., telephonic conversations of calls received and dialled at the dealer room for 62 suspected transactions vide its letter dated Nov 11, 2010. Further, HDFC had submitted that the recording of the dealer room conversations were done as per the extant policy of the company and in accordance with SEBI Circular no.MFD/CIR/15/19133/2002 dated Sep 30, 2002. HDFC had identified four mobile numbers viz., 9920082264 (9 transactions), 9820082264 (20 transactions), 9320082264 (22 transactions) & 9819261805 (11 transactions) through which the information / instructions to front run HDFC trades were shared for these 62 suspected transactions.

c. HDFC vide its letter dated Sep 27, 2012 submitted that HDFC’s Executive director & Chief Investment Officer and three Senior fund managers had identified the person's voice in the dealer room conversations with four mobile numbers viz., 9320082264 (22 transactions), 9820082264 (20 transactions) 9920082264 (9 transactions) & 9819261805 (11 transactions) as Nilesh Kapadia (Noticee No. 1), Ex-Equities Dealer (hereinafter referred to as Nilesh). Nilesh had been the equities dealer for HDFC AMC since June 2000 to 2010.

<u>Use of the Mobile Numbers 9920082264, 9820082264 and 9320082264 (51 transactions)</u>

d. Dharmesh Shah (hereinafter referred to as ‘Dharmesh’) vide letter dated February 25, 2011, admitted that these three mobile numbers belonged to him. On scrutiny of the trade logs and the conversations, it was observed that the trades related to these suspected transactions were not executed in the trading account of Dharmesh. It was observed that out of 51 transactions identified with the above three mobile numbers, 35 transactions were executed in the trading account of Vivek Lakshminath Mehrotra (hereinafter referred as 'Vivek'), one transaction were executed in the trading account of Rashi Investments (hereinafter referred as 'Rashi'), four transactions were executed in the trading account of Vivek as well as in the trading account of Rashi and ten transactions were executed in the trading account of Ashok Amritlal Nayak (hereinafter referred as 'Ashok'). These three clients had traded through IKAB Securities and Investments Private Limited ().

Use of the Mobile Number 9819261805 (11 transactions)

e. It is observed that the mobile number 9819261805 was registered in the name of Ms. Ashwini B Jadhav having address of 3/353, Parijat Building, B.J.Marg, Byculla (West), Mumbai. 400 011. As per the statement of Ms. Ashwini B Yadhav, she never used this number and she was not aware as to how this number was registered in her name. It was observed that out of 11 transactions, 9 transactions were executed in the trading account of Rashi, 2 transactions were executed in the trading accounts of Vivek as well as Rashi. It was observed from the conversations between Nilesh and the person talking from the mobile number 9819261805 that the voice was similar to the voice in other three mobile conversations. The pattern of the information passed to this mobile number 9819261805 was also similar to the pattern of conversations mentioned in the above three mobile numbers. The two trading accounts (Vivek and Rashi) in which front running trades were executed using the mobile number 9819261805 were also used for front running transactions using the other three mobile numbers mentioned above. Since Dharmesh was confirming the front running trades executed in the accounts of Vivek, Rashi and Ashok using his three other mobile numbers, it was therefore evident that

Dharmesh was using the mobile number 9819261805 to also confirm front running trades to Nilesh.

f. On examination of the trade and order logs of BSE and NSE 109 instances of front running trades were identified from the 62 transactions referred by HDFC. Out of 109 instances, 70 instances executed in the trading account of Vivek, 23 instances executed in the trading account of Rashi and 16 instances were executed in the trading account of Ashok. These instances were front run HDFC AMC and/or HDFC MF trades i.e., trades of HDFC Mutual Fund, trades of HDFC Asset Management Company Limited and trades of HDFC AMC's portfolio management client Sudhir Enterprises Private Limited. Trades of HDFC AMC and HDFC MF are indicated separately in the trade details, however, hereinafter referred to as 'HDFC trades' for the sake of convenience.

CONNECTION BETWEEN NILESH KAPADIA, DHARMESH SHAH, BANKIM SHAH, VIVEK MEHROTRA, RASHI INVESTMENTS AND ASHOK NAYAK

g. As identified by the HDFC employees, Nilesh was talking from the Dealer room telephone to three mobile numbers viz., 9920082264, 9820082264 and 9320082264. Dharmesh admitted that these three mobile numbers belonged to him. Hence, Dharmesh and Nilesh were known/related to each other.

h. Further, it was observed from the dealer room conversations that Nilesh was addressing to the caller as 'Dharmesh' on various instances and in some instance the caller introduces himself as 'Dharmesh'. The sample instances are given in following table (Table 1):-

SN.	Date	From	To	Conversation Started time	Conversation End time	Conversation	Audio file no.	Traded scrip
1.	31-10-2006 (Nilesh is addressing)	Dealer room	9819261805	09:59:14	10:00:10	Dharmesh: Hello Nilesh: **Dharamesh**? Dharmesh: Haan bol bhai? *(Yes tell me?).*	373505	Reliance Comm
2	25-01-2007 (Nilesh is addressing)	Dealer room	9820082264	11:51:26	11:52:04	Dharmesh: Hello Nilesh**: Dharmesh** kya che? *(Dharamesh where are you?)*	402747	IOC
3	12-02-2007 (caller introduced himself)	Dealer room	9320082264	12:32:02	12:35:43	Dharmesh: Sir **Dharamesh** bolta hun main. *(Sir Dharamesh here).*	408966	Ashok Leyland
4	16-05-2007 (caller introduced himself)	Dealer room	9320082264	13:10:28	13:11:59	Dharmesh: Hello, **Dharmesh** here sir. 294 gaya 6000 baki rahi gaya ache to ubho reh hun *(294 is gone and 6000 is left so I am holding it)*	449030	Shanthi Gears Ltd.

i. The above conversations reconfirm that Nilesh and Dharmesh were known to each other.

j. Vivek, Rashi and Ashok had traded through the broker IKAB Securities and Investments Limited. Bankim Shah (hereinafter also referred as 'Bankim') one of the directors and dealers of IKAB Securities & Investments Limited, had punched the entire front run trades of Vivek, Rashi and Ashok. Bankim stated in his statement recorded on Feb 18, 2011 under oath that he used to trade on behalf of the Khatri group i.e., Vivek and Rashi. Bankim also stated that he knows Dharmesh since 1994/95. Further, that Dharmesh was also one of the clients of IKAB who was introduced by Bankim (as given in the KYC documents).

k. Numerous instances of off-market transfers of shares between Vivek and Dharmesh in various scrips were also observed.

l. Further, Ashok in his statement dated February 24, 2011 stated that he had placed orders for all the trades that took place in his account with IKAB and he had not at any time authorised Bankim to place orders on his behalf. Ashok had also stated that he used to place orders through Anil Bagri and Bankim Shah of IKAB. However, all the front running instances observed in the trading account of Ashok were punched by Bankim who had also punched the trades for Vivek and Rashi. These instances were in the same pattern of the trades executed in the trading account of Vivek and Rashi i.e., instructions were given to Dharmesh from dealing room telephone to Dharmesh's Mobile number 9320082264 and 9820082264. The buy traded quantity, buy average rate, sell traded quantity and sell average rate of Ashok's trades have been reported by Dharmesh to Nilesh. It was observed that it could not have been possible to report the trading details of Ashok by Dharmesh to Nilesh unless they had prior understanding among themselves. Further, it cannot be a coincidence that Ashok's trades were reported on a specific date and specific scrip to Nilesh by Dharmesh when large number of trades and clients had traded in the securities market. Thus from the above paras, it was alleged that Nilesh, Dharmesh, Bankim, Vivek, Rashi and Ashok were related.

MODUS-OPERANDI

m. It was observed that Nilesh and his associates had followed two trading patterns of front running viz., Sell-Sell-Buy and Buy-Buy-Sell which are explained in the following paragraphs. HDFC AMC managed the assets of the HDFC Mutual Fund and also provided portfolio management services to clients. Nilesh had been its equities dealer since June 2000 till 2010. As a dealer of HDFC, Nilesh had the information of HDFC's sell and buy order details viz., scrip, quantity and price range. Based on this, Nilesh had given instructions from Dealer room telephone to Dharmesh's mobile phone to sell/buy the shares of the same scrip. The shares were sold/bought in the trading accounts either of Vivek, Rashi or Ashok by Bankim immediately i.e., before HDFC started selling/buying in the same scrip. In the meantime, Nilesh starts selling/buying the shares for HDFC in the same scrip through various brokers. Once the shares were sold/bought in the trading accounts either of Vivek, Rashi or Ashok, the equal quantities of the shares were bought/sold in the same trading accounts to square-off the trades. After execution of the trades in the trading accounts of Vivek, Rashi and Ashok, their trade details viz., traded quanity and average traded price were confirmed by Dharmesh to Nilesh. Most of the buy trades of Vivek, Rashi and Ashok were matched with HDFC's sell and buy trades. In some instances, it had matched 100%.

n. The number of instances of two trading patterns exchange-wise is given below.

Table : 2

Exchange	BSE			NSE			Grand Total
FR NAME /Pattern	**BBS**	**SSB**	**Total**	**BBS**	**SSB**	**Total**	
VIVEK	20	14	34	23	13	36	70
RASHI	5	8	13	4	6	10	23
ASHOK	2	5	7	3	6	9	16
Grand Total	**27**	**27**	**54**	**30**	**25**	**55**	**109**

o. While front running HDFC trades, Vivek made a profit of ₹210.18 lakh, Rashi made a profit ₹38.55 lakh and Ashok made a profit ₹37.32 lakh. In total, ₹286.05 lakh was made while front running HDFC trades. The summary of the exchange-wise and client-wise profit is given below.

Table : 3

Exchange	BSE			NSE			Grand Total
FR	**BBS**	**SSB**	**Total**	**BBS**	**SSB**	**Total**	
VIVEK	39,62,647	36,90,137	76,52,784	93,44,281	40,20,975	1,33,65,257	2,10,18,041
RASHI	9,06,977	6,12,828	15,19,805	11,82,917	11,51,874	23,34,790	38,54,595
ASHOK	88,071	9,41,377	10,29,449	4,90,254	22,12,665	27,02,919	37,32,368
Grand	**49,57,696**	**52,44,342**	**1,02,02,038**	**1,10,17,452**	**73,85,514**	**1,84,02,966**	**2,86,05,004**

MATCHED / STRUCTURED TRADES

p. It was observed that when the buy/sell position was reversed in Vivek's account, majority of the shares were structured to match the reversal trades with HDFC trades. The dealer had the discretion to execute the orders at any time during the day, depending on the traded volumes/prices. Based on the call records data, it was evident that Nilesh had instructed Dharmesh to trade in the scrips where HDFC planned to buy/sell the shares. Nilesh had also instructed the stock brokers to execute the trades on behalf of HDFC. Most of these trades were matched. The sample transcript clearly explains how the trades were matched / structured.

<u>Audio file no.448076: Start time 12:14:43 – End Time 12:17:20</u>

Dharmesh: Hello.

Nilesh: Ya.

Dharmesh: Satyam 7,704 is pending.

Nilesh: Complete?

Dharmesh: Nahin pending hain NSE ma, BSE complete.

Nilesh: NSE me kitla pending che? (How much is pending)

Dharmesh: 7,704.

Nilesh: Ye tu kari le 51 kari le.

Dharmesh: Yes.

q. Dharmesh had informed Nilesh that the purchase of Satyam shares were completed at BSE and purchase of 7,704 Satyam shares were pending at NSE. Nilesh had advised Dharmesh to buy the shares at ₹451 in coded words "51" telling only the last two digit of the rate and Vivek's buy order price was accordingly modified to ₹451. Immediately, Nilesh had advised the broker SSKI to sell 15,000 shares @ ₹451 to match with above trades. The following are the transcripts of the conversation.

<u>Contd.. of audio file no.448076</u>

Broker: SSKI good afternoon.

Nilesh: Alankara.

Broker: Hello.

Nilesh: How much you have done on NSE now?

Stock Broker : 1,85,000.

Nilesh: Okay put another 15,000 to sell at 51.

Dharmesh : Gone.

Nilesh: You call me.

Dharmesh : Okay.

r. Hence, reversal trades executed in the trading accounts of Vivek, Rashi and Ashok were structured to match with HDFC trades. Exchange-wise structured trades executed in the trading account of Vivek, Rashi and Ashok is given at Annexure. In most of the instances, more than 90% of the squared off trades of Vivek/Rashi/Ashok were matched with HDFC AMC trades.

MODE OF COMMUNICATION

s. It was observed that in most of the instances, trades were carried out at BSE and NSE as instructed by Nilesh to Dharmesh within a few minutes from the call time of the calls made from the dealer room. However, in a few instances though the "trade complete" confirmation by Dharmesh to Nilesh were matched with Vivek's, Rashi's and Ashok's trades, there is a variation of a few seconds between the trade time recorded by Stock exchange and call time recorded by HDFC's voice recording system. This may be due to the fact that the clock of stock exchanges (time) and clock of HDFC's dealer room voice recording system (time) were different. It was therefore alleged that Nilesh was passing the information/instructions to Dharmesh through other modes in addition to dealer room phone. It was observed that Nilesh was also using his mobile no. 9820221553 to converse with Dharmesh mobile numbers 9920082264, 9820082264 and 9320082264.

t. During the investigation period October 2006 to June 2007, Nilesh Kapadia had spoken 69 times from his mobile to three mobile numbers of Dharmesh. Further, it was observed that Nilesh and Dharmesh were talking to each other even before the investigation period and after the investigation period. The details are given below.

Table : 4

Nilesh'Mobile number –From	To Mobile number	During the Investigation	Before the investigation	After the investigation	Total
9820221553	9819261805	65	1100	-	1165
9820221553	9820082264	26	847	20	893
9820221553	9320082264	43	-	-	43
9820221553	9920082264	2	-	-	2
Total		136	1947	20	2103

u. Similarly, Nilesh from his mobile no. 9820221553 was also speaking to mobile no. 9819261805. During the period Oct 2006 to June 2007, Nilesh had spoken 65 times to 9819261805. Nilesh and Dharmesh were talking to each other on the day SEBI had debarred Nilesh vide interim order dated June 17, 2010 at 22:28:21 to Dharmesh on his mobile no. 9820082264. Further, it was observed that Nilesh made and received calls to/from to these mobile numbers even before the investigation period and after the investigation period. Before the investigation period i.e. during the period 2004 to 2006, Nilesh interacted approx., 1100 times on this mobile number.

v. It was observed from the call records furnished by HDFC and trade and order logs of BSE and NSE that in 109 instances Nilesh had instructed Dharmesh for front running HDFC trades. The examination of trade and order logs revealed that the trades confirmed by Dharmesh to Nilesh were all executed in the trading accounts either of Vivek, Rashi or Ashok. Further, no other clients' trades were matching with the trade confirmation given by Dharmesh to Nilesh on respective days and scrips. The trade confirmation details given by Dharmesh such as quantity and average rate are matching with trades of Vivek, Rashi and Ashok. Matching trades with HDFC trades in 109 instances cannot be a co-incidence. The matching of trades in the trading accounts of Vivek, Rashi and Ashok, the time of trade execution and the conversation time and traded quantity communicated by Dharmesh to Nilesh make it evident that Nilesh, Dharmesh, Bankim, Vivek, Rashi and Ashok were acting together as a group.

w. It was alleged that these trades were not the natural trades of Vivek, Ashok or Rashi. That these trades were executed only with an intention to square-off by matching with HDFC forthcoming trades at profit. As stated earlier, more than 90% of square-off trades were matched with HDFC trades. These trades could not have been executed if Nilesh had not instructed Dharmesh to trade. In the absence of Vivek, Rashi and Ashok trades, HDFC AMC and the other investors could have obtained the better price. It was alleged that these trades had disturbed the market equilibirium and normal price discovery mechanism of stock exchanges.

x. Since, Nilesh had instructed Dharmesh to execute these trades before executing these trades in HDFC account, HDFC had lost the price advantage in these trades and the profit of ₹2.86 crore made in the trading accounts of Vivek, Rashi and Ashok's is the loss of price advantage to the HDFC. It was therefore alleged that these trades were executed in fraudulent manner by Nilesh, Dharmesh, Bankim, Vivek, Rashi and Ashok, who acted in concert, to defraud HDFC. These trades had created false or misleading appearance of the trading in the securities market and manipulated the price of the scrip. Therefore, It was alleged that Nilesh Kapadia, Dharmesh Shah, Vivek Mehrotra , Rashi Investments, Ashok Nayak and Bankim Shah acted as a group to front run HDFC trades and defrauded the HDFC investors and violated Section 12A (a) (b) and (c) of SEBI Act, Regulations 3 (a), (b) (c) and (d), 4(1) of PFUTP Regulations.

5. The aforesaid alleged violations, if established, make the Noticees liable for monetary penalty under Sections 15HA and Section 15HB of the SEBI Act.

6. The SCN was served upon Noticee 1 on April 2, 2014, upon Noticee 2 on March 27, 2014, Noticee 3 on April 3, 2014 and Noticee 4 on March 25, 2014.

<u>Nilesh Kapadia/Noticee 1</u>

7. Noticee 1 responded to the SCN vide letters dated April 3, 2014 and December 22, 2017.

8. Vide letter dated April 3, 2014 Noticee 1 sought an opportunity to inspect a copy of the complete Investigation Report, original voice recordings, all statements of persons and any other material relied upon by the Adjudicating Officer while issuing the SCN.

9. An opportunity of inspection as sought was granted to the Noticees on January 23, 2018 and the Investigation Report alongwith all 25 Annexures was inspected by the Authorised Representative of Noticee 1.

10. Subsequently, vide letter dated March 8, 2018, an opportunity of personal hearing was granted to Noticee 1 before Adjudicating Officer (Shri Sahil Malik) on April 10, 2018. As per the hearing sheet on record, Mr. Deepak Thane (Advocate) appeared on the said date as Authorised Representative on behalf of Noticee 1 and reiterated written submissions dated April 9, 2018 filed by Noticee 1 in the matter.

11. The submissions made by Noticee 1 vide reply dated April 9, 2018 are summarised below for reference:-

    a. The present SCN does not make any allegations in line with the principles/ingredients of front running laid down by the Supreme Court vide order dated 20.09.2017 in the case of *<u>SEBI v. Kanhaiyalal Patel</u>* (Civil Appeal No. 2595 of 2015).
    b. The SCN relied heavily on call records provided by HDFC vide its letter dated November 11, 2010 (Annexure 3 to the SCN). However, the SCN relies upon the said call recordings without any verification as to its correctness, completeness and genuineness of the said records. The said call records and contents of the same are denied by Noticee 1.

c. SCN also relies on mobile bills of Noticee 1 provided by HDFC vide its letter dated July 1, 2011 (Annexure 20 to the SCN). However SCN ignores that HDFC had inert alia stated as under:-

   (i) that the assignment for converting the Mobile Bills was given to Nucleus GIS & ITES Ltd. and they have independently converted the contents of the mobile bills into digital text at their premises
   (ii) that the quality of the data may be affected on account of the quality of the Mobile bills and may not be accurate.
   (iii) that HDFC AMC cannot vouch for the contents of the Excel file, its correctness, there may be errors as the same has not been validated / audited by the AMC personnel

d. It is clear that HDFC itself who has provided the material / purported evidences to SEBI are not in a position to state that the said evidences are correct or accurate. In fact, they expressly state that the said evidences may contain errors. Further, HDFC specifically states that the conversion of data was made by Nucleus GIS & ITES, a third party and Nucleus GIS & ITES has independently done the conversion at their premises. It also appears that HDFC has not verified the correctness, accuracy etc. of the said data and its conversion before providing the same to SEBI.
e. As per the record made available to Noticee, SEBI has not verified the originals of the call records or mobile bills; in order to rely upon the said evidences, SEBI ought to have verified the originals of the said records and ensured the correctness and genuine nature of the said evidence before relying the same to make allegations of a serious nature against the noticees. In the absence of same, SEBI ought not to have relied upon the said data.
f. There is no evidence whatsoever that HDFC and/ or Nucleus GIS & ITES Ltd. and/ or SEBI have taken any measures whatsoever to ensure that the said data is not tampered with and/ or manipulated. Therefore, no value can be

attached to the said data and the same ought to be rejected and not to be treated as part of the record.

g. The standards of proving evidence laid down as per Indian Evidence Act 1872 and the principles of natural justice have not been satisfied by SEBI

h. Charge of front running in any manner is not sustainable, since the SCN does not in any manner show any basis for the allegation that the Noticees had front run trades of HDFC. In order to allege front running, the SCN ought to have shown an analysis of the timings at which orders where placed by the Noticees and orders were placed by HDFC and also an analysis of actual time at which their respective trades were executed and matched. However, the SCN does not mention any such time analysis for the orders and/ or trades and in the absence of the same, it is vague and incorrect to allege that Noticees had front run trades of HDFC. In order to allege front running, SEBI oughtto have shown that the Noticee(s) first order was placed before HDFC's order(s) came on to the trading screen and only hereafter Noticees placed their counter order(s) with an intention to match their trades with HDFC. In the event if HDFC's order(s) was/ were placed prior in time, in that case the charge of front running would be factually incorrect.

i. Without prejudice to the aforesaid, the Hon'ble Supreme Court in para 19 of the aforesaid Judgment notices 3 kinds of front running 1) Trading by third parties who are tipped on an impending block trade ("tippee" trading); 2) Transactions in which the owner or purchaser of the block trade himself engages in the offsetting futures or options transaction as a means of "hedging" against price fluctuations caused by the block transaction ("self-front- running") and 3) transactions where an intermediary with knowledge of an impending customer block order trades ahead of that order for the intermediary's own profit ("trading ahead"). It was further observed that "trading ahead" has been explicitly been recognized under Regulations 4(2)(q) of PFUTP Regulations. This being the fact, the "tippee trading" not being included in Regulation 3 and 4 should not be embraced within its scope especially because penal provisions should be strictly interpreted and there should be no scope of expansion of the provisions which will be detrimental to the Noticees. The Hon'ble Supreme Court in the aforesaid judgment held that front running by non-intermediary is prohibited under Regulations 3 and 4 of the PFUTP Regulations. However, it is observed in para 19 of the said Judgment that "trading ahead" has been explicitly been recognized under Regulations 4(2)(q) of PFUTP Regulations and not "tippee trading".

j. It is important to note that Regulation 2(1)(c) of the PFUTP Regulations defines "fraud". It further delineates exceptions to fraud. From a perusal of the definition of "fraud" and exceptions to fraud, it is evident that all information or tips would not amount to Tippee Trading. Any information or comment based on trends in securities market or any other matter of like nature would not amount to fraudulent act or fraud. Since the 9 instances mentioned in definition does not cover any information provided or any tips provided, the Noticee's acts would only fall within the exceptions (c) and (d) of the exceptions to fraud and the Noticee should be granted benefit of the same.

k. The present SCN has failed to establish the requirement of front running, which is that the person trading in stocks or other investments has to have knowledge of the upcoming transaction by a third party which is likely to affect the market price of the investment. SEBI has failed to note/ consider that the Noticee never shared the details of the proposed trades of HDFC Mutual Fund with Mr. Dharmesh Shah (Noticee No.2). At the most (without admitting), the call records and/or mobile bills and/ or transcripts would show that the tips provided by Noticee 1, if any would fall within the 4 exceptions of fraud defined in Regulation 2(1)(c).

l. The SCN does not in any manner explain or narrate on what basis SEBI states that HDFC or its investors lost price advantage. Nowhere does the SCN say that HDFC or any investor(s) has ever claimed that they incurred loss or lost any such price advantage on account of subject trades. Also, it is neither SEBI's case or HDFC's case that Noticee No. 1 had executed orders on behalf of HDFC at his prices. In the absence of such specific case, the said averment/ allegation that HDFC or its investor(s) incurred any loss is unfair, unwarranted and in any event incorrect.

m. The SCN vaguely alleges that HDFC's investors were defrauded by execution of subject trades. However, the SCN in no manner explains or clarifies on what basis this is alleged.

n. SEBI for the first time defined "front-running" only on May 25, 2012 vide its Circular CIR/ EFD/ 1/ 2012. Therefore, for the first time there was an attempt by SEBI to bring some clarity to the concept of front-running. On September 6, 2013 an amendment was introduced to Regulation 4(2) of PFUTP Regulations w.e.f. September 6, 2013 whereby an "Explanation" was added to Regulation 4(2) of the PFUTP Regulations and thereby expanding the scope of Regulations 3 and 4 of PFUTP Regulations:

> "*Explanation:- For the purpose of this sub- regulation, for removal of doubts, it is clarified that the acts or omissions listed in this sub-regulation are not exhaustive and that an act or omission is prohibited if it falls within the purview of regulation 3, notwithstanding that it is not included in this sub-regulation or is described as being committed only by a certain category of persons in this sub- regulations*. "

o. Thereafter, on September 20, 2017 the Honble Supreme Court disposed of several Appeals (including the above 3 Appeals, in the matter of Dipak Patel, Sujit Karkera and Vibha Sharma), wherein it was held that front running by non-intermediary is prohibited under Regulations 3 and 4 of the PFUTP Regulations. However, amendment made to Regulation 4(2) of PFUTP Regulations w.e.f. September 6, 2013 whereby an "Explanation" was added to Regulation 4(2) of the PFUTP Regulations and thereby expanding the scope of Regulations 3 and 4 of PFUTP Regulations was probably not an issue in that case and it appears from the record that same was never argued and brought to the notice of the Hon 'ble Supreme Court and also therefore not considered by the Hon'ble Supreme Court. The said issue is important in the present case since the trades in question are during the period, much prior to 2013 and the law punitive in nature cannot be applied retrospectively.

p. Without prejudice to the above, prior to the said amendment in 2013, the exhaustive illustrations or details (a) to (t) provided in Regulation 4(2) which deals with "Prohibition of manipulative, fraudulent and unfair trade practices " were exhaustive and not inclusive as it reads "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' '. The words used are "may include all or any" which goes to show that the illustrations / details of acts are exhaustive. The said illustrations / examples were expanded only by an amendment w.e.f. September 6, 2013 by incorporating an "explanation". This explanation was added as a clarification in 2013, and the earlier provision as it stands/ stood was relatable only in case of intermediaries and not individuals, no person who have allegedly committed 'front running' prior to the amendment can be held liable and guilty under Regulation 3 and 4 of PFUTP Regulations. Therefore, the provisions could have been given extended /expanded meaning only post 2013 for the offences committed after the amendment. The Noticee's having allegedly committed 'front running' several years prior to 2013 cannot be held liable and guilty for the alleged acts which in any event falls within the exception of fraud.

q. The words "fraudulent manner", "fraud in connection with dealings in or issue of securities" etc. used in Regulation 3 prior to 2013 should be understood to only include illustrations (a) to (t) delineated in Sub-Regulations 2 of Regulation 4. Further the other acts which do not strictly fall within the ambit and scope of Regulation 4(2) (minus explanation) should be read in conjunction with the definition of fraud (Regulation 2(1)(c)) which also includes exceptions such as passing comments made in private or public with respect to trends in the securities market and any other matter of like nature.

r. Therefore, any ambiguity or incongruity should be decided in favour of the Noticees, as it is a well settled principle of law that in such instance, the benefit of the doubt should be given to the Noticees.

s. Even as per the said SCN, and in fact, Noticee No. 1 has not made any profits, illegitimate or otherwise on account of the impugned trades and it is not shown otherwise.

t. Even as per the said SCN, Noticee No.1 has not interacted with any of the other Noticees except Noticee No. 2; furthermore, Noticee No. 1 is not shown to be connected or related to any of the Noticees save and except for the conversations that he had with Noticee No.2. Therefore, Noticee No. 1 may not be held liable for the actions of the other Noticees.

12. Further, vide reply dated April 24, 2018, Noticee 1 made the following additional submissions in the matter:-

a. The Noticee was employed by HDFC AMC from June 20, 2000 to June 17, 2010; during the relevant investigation period that is October 2006 to June 2007 the Noticee was one of the assistant vice president of HDFC AMC and a dealer in equities for the said company. As an equity dealer the noticee was expected to implement decisions regarding buying and selling of equity shares by fund managers of HDFC AMC; such decisions were made for various reasons including:-

a) Need to generate profits to pay dividend to unit holders

b) Need to stay within scheme specific limits relating to value of shares held

c) Favourable market price of shares held under various schemes or for acquisition of shares and existing schemes/new schemes

b. Noticee did not make such decisions. However he was expected to ensure the same i.e. to buy or sell specified quantity of shares at/within a specified price/price plan was executed usually within the same trading day. Noticee while instructing stockbrokers to carry out trades, was expected to also ensure that there was no market disturbance/distortion which is a possibility considering the quantity of shares traded by HDFC AMC was usually quite large. One of the ways in which it was ensured that there was no market disturbance/distortion, was by contacting the market participants and stock broker known to the Noticee to check whether there were sufficient counterparties to the orders being placed by the Noticee. This would not only ensure that the orders were efficiently absorbed by the market, but also that the AMC would get the best price advantage. This was and continues to be an accepted and even favoured market practice especially when large blocks of shares are involved. Dharmesh Shah (whom Noticee admittedly knew only by his first name) was one such market participant whom Noticee used to contact from time to time to ensure smooth and efficient execution of the orders placed by Noticee for HDFC AMC.

c. As per the said SCN HDFC AMC vide its letter dated October 25, 2010 suggested to SEBI that Mr Dharmesh Shah may have front run the trades of HDFC mutual fund/AMC in respect of 62 transactions and based on the same SEBI initiated investigation in the matter. It is pertinent to note that the said letter of HDFC AMC does not specify the period during which the said 62 transactions took place. Rather it is KPMG which is said to be an investigation team appointed by HDFC AMC that suggested the same. No details or particulars of the said investigation by KPMG are provided to Noticee or even considered by SEBI.

d. According to the said SCN, the investigation period is October 2006 to June 2007. However in para 24 of the SCN, SEBI appears to have considered Noticee’s conversations with Mr Dharmesh Shah from 2004 all the way till

2010. Noticee’s conversations over only seven months out of 6 years appears to be related to alleged front running.

e. HDFC AMC and senior management were quite well aware of the practice of the dealers contacting and speaking to market participants to ensure efficient absorption of orders placed by them, but they have deliberately chosen to remain silent on the same and they have made false allegations against Noticee that he was part of a scheme of alleged from training.

f. Noticee knew Mr Dharmesh Shah however it is not possible for Noticee to now recollect the content of conversations that he had with Mr. Dharmesh Shah during the investigation period over telephone i.e. over calls made to and from the dealing room telephone numbers/mobile telephone to mobile telephone purported to be owned by Mr Dharmesh Shah. Unfortunately while HDFC AMC has purported to certify that the recording is provided by them to SEBI or copies of the original maintained by them, it appears from the documents on record provided that SEBI never possessed the original of the said voice recordings and that the investigating officer of SEBI has not listened to the original voice recordings; further, no effort appears to have been made by SEBI to compare the original voice recordings with the purported transcripts thereof, which were made by third party. It may also be noted that to the best of knowledge of Noticee and as per records made available to Noticee, Mr Dharmesh Shah has not admitted the contents of the said voice recordings or transcripts thereof. It is pertinent to note that even according to SEBI conversations over mobile telephones were not recorded and no voice recordings of transcripts of the same exist.

g. While the records provided to the Noticee show extracts of the details of the calls purported to have been made between the telephone in the dealing room of HDFC AMC and the mobile telephone purported to belong to Mr Dharmesh Shah, even as per the covering letter of HDFC AMC dated July 1, 2011, a third party vendor had converted the contents of the mobile bills to digital text and then into Microsoft excel sheets. It is explicitly stated in the said letter of HDFC

AMC that they are unable to vouch for the contents of the excel file or correctness and have not validated the same. Thus, neither HDFC AMC nor SEBI has seen the originals or even copies of the mobile bills, which are the basis to allege that Noticee had allegedly spoken to Mr Dharmesh Shah several times in a day in the course of the investigation period. As far as the calls made/received by Dharmesh Shah to/from the dealing room telephones, Noticee could not have had access to the bills relating to the said telephones. As far as Noticee's own mobile phone is concerned notice he did not retain the mobile bills for the investigation period. Therefore Noticee has no material of his own to contradict the data provided by HDFC AMC; however, had SEBI obtained the originals of the mobile bills and provided copies of the same to the Noticee, he would have been able to provide meaningful reply to the allegations made against him in this respect. Mr Dharmesh Shah had not admitted the details of the purported mobile bills or off the call details therein.

h. It will be gravely unjust on the part of SEBI to rely upon the data and details provided by HDFC AMC to come to findings regarding the purported conversations that Noticee had with Mr Dharmesh Shah and the contents thereof, especially of finding that Noticee had participated in a scheme to front run the price of HDFC mutual fund. Such a finding would be contrary to the principles of natural justice, to the principles of evidence and unsustainable in law.

i. An unbiased reading of the facts will show that it is possible to arrive at the alternate (and according to the Noticee, the correct) explanation that his conversations with Dharmesh Shah were to ensure that the buy or sell orders of HDFC AMC were executed in the most efficient manner; this is particularly so since no relationship or even contact is even alleged to have existed between Noticee 1 and Vivek, Rashi and Ashok. The facts as set out by SEBI do not indicate that Noticee 1 was aware of this Scheme to front run the trades of HDFC AMC and therefore the Noticee 1 deserves to be discharged from the present proceedings on this ground alone.

j. Noticee 1 did not make any financial or other gains on account of the impugned trades executed in trading account of Vivek, Rashi and Ashok in various scrips during the investigation period through the stockbroker IKAB. SEBI has not shown otherwise; in the absence of any financial or other again it is erroneous to allege that Noticee 1 participated in a purported scheme of front running by Vivek, Rashi and Ashok . In fact, neither HDFC AMC nor SEBI has alleged or found any relation between Noticee 1 and Vivek, Rashi and Ashok. On the other hand, HDFC AMC has failed and neglected to point out that if Noticee 1 had been unable to execute the strategy to implement the decisions of fund managers Noticee even stood to lose not only financial incentives but also his job.

k. While it is a matter of record that the Executive Director, Chief Investment Officer and 3 senior fund managers with HDFC AMC have purportedly identified Noticee's voice as contained in the purported voice recordings, none of the aforesaid persons has stated in their declarations that they listened to the original voice recordings of the conversations that took place through the dealing room telephones or that they listened to certified copies of the same. In the absence of such a declaration, the declarations of the said persons cannot and must not be relied upon to come to as adverse finding against Noticee. It is pertinent to note that the aforesaid persons did not comment on the contents of the conversations themselves although they were most suited to do so.

l. It is a matter of record that trades connected with / related to the impugned transactions were not executed in the account of Mr. Dharmesh Shah; Noticee 1 has no personal knowledge regarding regarding the trades of Vivek, Rashi and Ashok.

m. Noticee 1 does not know Mrs. Ashwini B Jadhav or her residential address or the fact that mobile number 9819261805 was registered in her name. Noticee 1 was also not aware that Dharmesh Shah made calls to the dealing room telephones of HDFC AMC from the said mobile number. Noticee was also not aware that *"the two trading accounts (Vivek and Rashi) in which front running trades were executed using the mobile number 9819261805 were also used for front running transactions using the other three mobile numbers mentioned above".* Noticee 1 denies the allegation that Mr. Dharmesh Shah used the said mobile number to confirm front running trades to Noticee 1.

n. As per prevalent and accepted market practice, Noticee 1 may have contacted Dharmesh to ensure that the buy and sell orders of HDFC AMC were executed efficiently; but he denies that he ever informed Dharmesh Shah about the details of the impending orders of HDFC AMC.

o. Noticee 1 was not aware that the orders of Vivek Mehrotra and Ashok Nayak had matched with those of HDFC AMC AND was also not aware of any profits made by them and did not partake in any such profits.

p. Even the extracts of the purported conversation between Dharmesh and Noticee 1 and between one "Alankara" of SSKI, a stock broker, show that Noticee 1 never informed Dharmesh about the impending trades' of HDFC AMC. Rather, a plausible alternate explanation for his instruction to SSKI could be that he may have been ensuring that the sell orders of HDFC AMC were executed in the most efficient manner. It is a well-known and well accepted market practice for dealers of large funds including mutual funds to ensure that buy and sell orders placed by them are efficiently absorbed by the market without undue distortion in price; such a practice is not illegal.

q. Being an equity dealer of a large Mutual Fund, and in the light of Noticee's aforesaid submission, it was not unusual for Noticee 1 to have spoken to a market participant 69 times over a period of 7 months or 1100 times over a period of 2 years. Such an observation or analysis of the number of times that Noticee 1 spoke to a person cannot be the basis for SEBI to make an allegation that Noticee 1 participated in a scheme of front running.

r. It is not set out by SEBI how, the orders placed by Vivek, Rashi and Ashok disturbed market equilibrium or the normal price discovery mechanism.

Noticee 1 did not act in such a manner as to give any person an undue advantage while trading in securities during the relevant period.

s. It is grossly erroneous and baseless to consider the profits made by Vivek, Rashi and Ashok as being the loss suffered by HDFC AMC.

t. Noticee 1 denies having known or IKAB Securities or Bankim Shah or the fact that the latter used to manage the trading accounts of Vivek Mehrotra and Rashi Investments.

u. Noticee 1 denies that he knew Bankim Shah further denies that he knew that Bankim Shah placed instructions with IKAB "as per my instruction" as falsely alleged or otherwise; such an allegation is pure conjecture and baseless.

13. Subsequently, vide letter dated November 12, 2018 Noticee 1 was given an opportunity to file additional submissions, if any, by November 30, 2018. Vide reply dated November 30, 2018, Noticee 1 intimated SEBI of decision to file Settlement Application in respect of the SCN in terms of the SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014 ("**Settlement Regulations**"). The said Settlement Application was filed by Noticee 1 on November 30, 2018 and intimated to the Adjudicating Officer vide letter dated December 3, 2018. The Settlement Application of Noticee 1 was deliberated upon on February 21, 2019 and upon failure of Noticee 1 to submit revised settlement terms within ten working days, the said settlement application was rejected.

14. Consequent to rejection of Settlement Application, Noticee 1 was granted another opportunity to make written submissions vide letter dated June 21, 2019. Upon the request of Noticee 1 made vide letter dated July 3, 2019, the said Noticee was granted a final opportunity of personal hearing on July 19, 2019.

15. Vide letter dated July 17, 2019, Noticee 1 declined to avail personal hearing and made additional submissions in the matter, which are summarised below for reference:-

a. Noticee 1 has been greatly prejudiced by the delay and laches in the present proceedings. The trades impugned in the said notice are of the year 2006-07 and 2007-08. HDFC Mutual Fund set up a committee to look into alleged front running and the committee submitted its report in 2009; thereafter, SEBI recorded statements of various persons including Noticee in 2011. Yet the Show Cause Notice was issued in 2014 i.e. more than 7 years after the impugned trades. A personal hearing was granted to Noticee 1 in April 2018 i.e. more than 12 years after the impugned trades took place. In the meanwhile, on account of directions issued by SEBI, Noticee 1 was removed from his employment at HDFC Mutual Fund; he has also been prohibited from associating with the securities market for a period. He submitted that the passage of substantial time and the actions taken by SEBI against him has severely curtailed his ability to defend himself against the charges raised against him. Therefore, in the interests of justice, the present proceedings ought to be withdrawn against him and he ought to be discharged from the said Notice.

b. Original documents and records including HDFC AMC's Investigation Report and Annexures were not provided to Noticee 1 during inspection.

c. SEBI has relied on transcripts prepared by third parties and not even HDFC AMC to allege front running by Noticee 1.

d. No profits were made by Noticee 1 from the trades allegedly executed by persons connected to him, and Noticee 1 never carried out any of the impugned trades on his own.

e. Due to gaps in investigation and lack of evidence to prove alleged front running and Noticee 1's involvement in the same, benefit of doubt ought to be given to Noticee 1.

16. Upon appointment of undersigned as Adjudicating Officer vide order dated December 24, 2019, an opportunity of personal hearing was granted to Noticee 1 on June 8, 2020 at 3:30 p.m.

17. Vide e-mail dated June 5, 2020, the Authorised Representative of Noticee 1 sought a hearing on a date after June 16, 2020 which request was acceded to and the hearing was rescheduled to July 10, 2020.

18. During the personal hearing held on July 10, 2020, Shri Joby Mathew, Advocate and Authorized Representative of Noticee 1, appeared on behalf of Noticee 1 and reiterated submissions made through earlier replies filed in respect of the allegations levelled in the SCN.

Dharmesh Shah

19. In response to the SCN, Noticee 2 vide letter dated April 7, 2014 sought inspection and copies of statements and documents relied on in the SCN.

20. An opportunity of personal hearing was granted to Noticee 2 on January 11, 2018, which was availed by Noticee 2. Noticee 2 also filed reply dated January 1, 2018 stating that inspection of documents may be granted to it in the matter.

21. On January 23, 2018, Shri Anil Shah, Advocate and Authorised Representative of Noticee 2 inspected originals and took copies of the Investigation Report.

22. Vide letter dated February 2, 2018 Noticee 2 submitted that he was given to understand that statements of Nilesh, Vivek, Rashi and IKAB were not relied on, and so copies of the same were not handed across during inspection. Further, time was sought for filing detailed written submissions.

23. An opportunity of personal hearing was granted to Noticee 2 on April 10, 2018, when the Authorised Representatives of Noticee 2 reiterated the submissions made in their reply date April 6, 2018.

24. The submissions made vide reply dated April 6, 2018 are summarised as follows:-

    a. SCN was issued on 20.03.2014 i.e after lapse of almost 8 years from the alleged trades beginning from 31.10.2006. Further, the hearing in the matter before the Adjudicating Officer is scheduled on 10.04.2018 which is around 11 years post the alleged trades. Noticee 2 is not in position to gather necessary information and records and therefore not in position to represent his case effectively. Also, no satisfactory reason is recorded in the SCN to explain or justify such a long delay in issuing the SCN.
    b. The unnatural delay of almost 11 years in the matter is also against the principles of natural justice. Reliance is placed on Appeal No. 37 of 2008 in the matter of Libord Finance in which it was held by SAT that 'no proper reply could be filed in a particular matter by any party after a lapse of (8) eight years from the occurrence of the incident and that grave injustice would be caused to the delinquent in such cases in complete violation of the principles of natural justice.'
    c. Noticee 2 does not have anything to do with other entities stated in the SCN.
    d. As far as the alleged letter dated 25.10.2010 is concerned, Noticee 2 is not aware nor has received any such letter from the said HDFC Management Company Ltd. In any event, Noticee 2 denies the allegations against him in the said letter or otherwise and that he has front run HDFC trades on 62 transactions as wrongly alleged. Further as far as the said interim-ex parte order is concerned, it is a matter of record and deals with transactions/ dealings done by Mr. Nilesh Kapadia in his personal capacity and position as the dealer of HDFC AMC and is in no way related/ concerned to Noticee 2.

e. The contents of Noticee 2's letter dated 25.02.2011 are true and correct, however no adverse inference may be drawn there from. Further, Noticee 2 is not aware of any person /entity by name Vivek Mehrotra, Rashi Investments and Ashok Nayak nor about any trading undertaken by them and therefore not aware of any transactions allegedly executed in the trading account of the above named persons/ entities through IKAB Securities. The same is also recorded in his statement as reflected in Annexure 5 of the SCN. A grave misconception has arisen since it has been assumed that transactions carried out by some of the entities that are listed in the SCN are actually carried out by all entities as a group and Noticee 2 is a part of that group and has gained from the alleged transactions with his knowledge or involvement or otherwise. Noticee 2 has no concern or relation whatsoever with such persons or entities as listed in the SCN. The alleged transactions would surely have been carried out by such entities on their own account as principal with their own funds and for their own profit or loss and risk. Further, Noticee 2 has not executed any trade related to the suspected transactions in his account and further is not a beneficiary to these trades. Even the SCN also has categorically concluded that the trades related to the suspected transactions were not carried out in the account of Noticee 2.

f. In respect of mobile number 9819261805, the said number was registered in the name of Ms. Ashwini B Jadhav , whom Noticee 2 does not know and even in her statement also she has admitted that she does not know him. Further as regards these contentions/allegations , it is submitted that after passage of such a long time Noticee 2 has no recollection or records to either deny or accept the allegations and no adverse inference may therefore be drawn against him.

g. Noticee 2 denied that he confirmed the front-running transactions in the account of Vivek, Rashi and Ashok. The assumption that the "voice was similar to the voice in other three mobile numbers " and "Since Dharmesh was confirming the front running trades executed in the accounts of Vivek, Rashi and Ashok using his three other mobile numbers, it is therefore evident that Dharmesh was using the mobile number 9819261085' are not only presumptive but also lack credence. Noticee 2 denies that the voice alleged in mobile number 9819261805 is his. This is without prejudice to the fact that he has not carried out the alleged front running trades in the accounts of Vivek, Rashi and Ashok using the alleged mobile no. 9819261805 or otherwise. The allegation that he was using the alleged mobile no. 9819261805 is based on mere surmises and conjectures and that there is no substantial evidence to prove the same.

h. Mere balance of probabilities is not sufficient to prove that such an offence has been committed. That the alleged offences should be proved beyond reasonable doubt which the SCN is short of establishing.

i. In respect of para. 8 of the SCN, mobile numbers mentioned therein in this para belong to him and he knew Mr. Nilesh Kapadia as market friend, however no adverse inference may be drawn merely because of this acquaintance. He denied that he had any financial relation/transaction with Nilesh Kapadia nor the same has been alleged in the SCN or proved by investigation.

j. Noticees 1 and 2 were market friends and usually used to have discussion on market related topics as Noticee 2 was also an investor making investments based on his own competence, instinct and intuition. Noticee 2 never had any intention to commit any fraud as well as there was no connivance with the brokers/investee to make any unlawful gains. All his dealings in his personal capacity as an investor were normal and legitimate. Any conversations with said Nilesh Kapadia were very informal and general in nature because of Noticee’s acquaintance with him and no adverse inference should be drawn out of it to levy a serious charge of front running or market manipulation.

k. Noticee 2 was not aware of any transactions between Bankim Shah and Vivek, Rashi and Ashok. As mentioned in the meeting dated 21.02.2011 before the investigating authority that Noticee 2 has known Mr. Bankim Shah since 1993-94 as co-trader in the old BSE trading ring, however he never had any business relation with the said Bankim Shah after 2000. Noticee 2 may have been introduced by the said Mr Bankim Shah in the ordinary course due to old acquaintance. Introduction in itself does not tantamount to any connivance or meeting of minds per se. Such an acquaintance used for introduction should not be used a means to establish a link or relation between Noticee 2, Bankim and other alleged entities/clients of him who are not at all known to Noticee 2, in order to levy a serious charge of front running, as introduction itself per se can never tantamount to any connivance or meeting of minds.

l. It is an admitted fact that Noticee 2 was also having trading account with IKAB Securities and the same was introduced by Mr. Bankim Shah. With regard to off-market transfers between Noticee 2 and Vivek, Noticee admitted in its reply dated April 06, 2018, that it was only on the request of Mr. Bankim Shah that shares were given as a loan to IKAB Securities to meet their client share pay-in obligation, in good faith without disclosing the client identity and the said shares were duly returned by IKAB Securities to Noticee 2 on fulfillment of their said obligation. Mr. Bankim or IKAB Securities never disclosed the name of the client for whom the pay-in obligation was met by these shares. Further, the said fact can be corroborated from the statement of Mr. Bankim where in response to question no. 11 he has categorically admitted that he was handling the securities of Vivek & Rashi Investment at IKAB Securities through Power of Attorney. Further as it can observed from the Annexure -10 to the SCN, the shares given on loan were duly returned in Noticee's demat account and there was no financial involvement. Under the circumstances, no adverse inference may be drawn against Noticee 2.

m. Noticee 2 did not know Vivek or Ashok. The violations, if any, have been committed by Mr. Nilesh Kapadia and not by Noticee 2 as there is no allegation of any gain to Noticee 2 and thereby he could not be subject to the alleged front running charges.

n. Noticee 2 knew Nilesh Kapadia and Bankim Shah.

o. Noticee 2 was not aware of any trading pattern of front running as followed by Nilesh and his associates. Noticee 2 denies that he was given instruction allegedly by Nilesh from the Dealer room on his mobile phone to sell/buy the shares of scrips mentioned in the para under reply. Noticee 2 was unaware of the fact that Nilesh Kapadia was a dealer in HDFC AMC Ltd. at that relevant time and that he had the knowledge of HDFC's sell and buy order details.

p. Assuming without admitting, that Noticee 2 had the knowledge that Nilesh is working for HDFC, still there is no substantial evidence to show that similar trades were also to be carried out by HDFC AMC subsequently to the alleged trades. The wrong doing, if any, may be between the HDFC AMC and Nilesh Kapadia, the dealer of HDFC AMC and it was HDFC AMC to take action against Nilesh Kapadia.

q. No trades were carried out in the account of Noticee 2.

r. No profits or gains have been shown to have been made by Noticee 2 due to the alleged front running transactions

s. Not even a single entity could have claimed that they knew Noticee 2 personally and had any sort of financial relationship or otherwise with him except and save Mr. Bankim who was known to him as he has introduced him to IKAB Securities.

t. None of these alleged entities including Mr. Bankim Shah have ever stated that Noticee 2 had given instructions to Mr. Bankim to punch orders in the accounts of these alleged entities.

u. There is nothing on record to show that Noticee 2 had instructed Bankim to execute the trades in the accounts of Vivek, Rashi and Ashok as alleged, because unless the communication between Bankim and Noticee 2 is established with respect to the alleged front run trades, the said Bankim could not have punched the trades for Vivek , Ashok and Rashi.

25. Noticee 2 filed settlement application in terms of the Settlement Regulations vide letter dated October 25, 2018, to settle the charges levelled under the present SCN.

26. Vide letter dated November 12, 2018 SEBI granted Noticee 2 an opportunity of personal hearing on November 20, 2018. However, Noticee 2 stated that since settlement application filed in the matter was pending, adjudication proceedings be kept in abeyance.

27. Since the settlement terms proposed by Noticee 2 were not in line with the amount calculated as per the SEBI (Settlement Proceedings) Regulations, 2018, the settlement application of Noticee 2 was rejected and adjudication proceedings, which had been in abeyance during the settlement proceedings, resumed.

28. Accordingly an opportunity of personal hearing was granted to Noticee 2 on July 1, 2019. However vide letter dated June 28, 2019 Noticee 2 stated that having appeared for a hearing on April 10, 2018 and made detailed submissions, he had nothing further to submit.

29. Upon transfer of the case to the undersigned vide order dated December 24, 2019, another opportunity of hearing before the Adjudicating Officer was granted to Noticee 2 on June 8, 2020 vide Hearing Notice dated May 18, 2020.

30. Vide e-mail dated May 19, 2020 Noticee 2 declined the opportunity of personal hearing and submitted that he had already made his detailed submissions earlier in the course of adjudication proceedings.

Ashok Nayak (Noticee 3)

31. Vide reply dated April 7, 2014 Noticee 3 sought three weeks' time to file his reply in the matter.

32. Vide reply dated October 29, 2014 the Noticee 3 submitted the following:-
    a. The SCN has failed to establish a link between Nilesh, Dharmesh, Vivek, Rashi and Noticee 3.
    b. Bankim was a dealer of IKAB Securities with which Noticee 3 had opened a client account for trading and investment purposes, and was assigned to Noticee 3 by IKAB. Bankim used to execute orders in the account of Noticee 3 as per the instructions of the latter.
    c. Noticee 3 is not aware of the mobile numbers and call conversations enclosed in Annexure 3 of the SCN (HDFC dealer room conversations related to the 62 front-running transactions) and not able to identify the voices in the transcript/CD.
    d. Annexure 7 of the SCN containing mobile timings and duration of calls does not correlate with trades of Noticee 3.
    e. A few trades have been selected to wrongly justify the allegations levelled, and the transcripts of calls have been wrongly related with the trades executed in the account of Noticee 3.
    f. Noticee 3's bank accounts or mobile numbers are not involved in the front-running transactions.
    g. No calls were made by Noticee 3 to Noticees 1 or 2 , or vice versa.

33. Vide letter dated November 22, 2017, an opportunity of personal hearing on January 11, 2018 was granted to Noticee 3. Vide reply dated January 8 2018, Noticee 3 requested 3 week extension of time for filing detailed submissions, and an opportunity of hearing on a subsequent date. An opportunity to inspect

documents was also granted to Noticee 3 on January 23, 2018, but was declined by Noticee 3 vide his e-mail dated January 19, 2018.

34. Vide reply dated February 12, 2018, Noticee 3 submitted the following:-

a. Noticee 3 had been trading in the securities market for 12 years since 2006 in a number of scrips. His personal strategy was that if prices of scrip rise, he would book profits. If prices fell, he would wait for prices to increase and then take a decision. Thus, he followed the normal market mantra of buy low and sell high.
b. Till date there have been no proceedings against any of his trades in the market.
c. Noticee 3 has his trading accounts with Kotak Securities Ltd. and RBK Share Broking Ltd. He also had a trading account with IKAB from May 2005 to January 2013 until it ceased its operations.
d. Noticee 3 became a constituent of IKAB on 05.05.2005 by executing a Broker-Client Agreement. He had been trading through IKAB since then.
e. When trading through IKAB, Noticee 3 gave orders to his dealer at IKAB as per his own market strategy, financial decision and means. He would give his orders to Anil Bagri and Bankim Shah who then placed orders as per his instructions. Trade decisions were based on TV channels, article in newspapers, and other publicly available information.
f. Noticee 3 always met all his trading and settlement obligations, and there are no grievances or litigation against him with respect to any of his settlement obligations with IKAB.
g. His pattern of trading did not create aberrations or manipulation of any kind.
h. The allegation against the Noticee 3 is not clear from the SCN. Noticee denied that any trades were placed in the account of Noticee 3 on the basis of any phone calls as mentioned in para. 5 of the SCN.
i. Noticee 3 does not know Noticees 1 or 2. All his orders culminated into trades based on time and price matching mechanism.

j. As per statement of Bankim Shah, he has said that he did not trade on behalf of Noticee 3

k. Assuming that Noticee 2 intimated details of trades of Noticee 3 to Noticee 1, it does not prove that Noticee 3 was privy to their dealings.

l. Details of front-run and matched trades of Noticee 3 are not provided in the SCN.

m. Noticee 3 dealt in the scrip of Exide Industries Ltd. (mentioned in Annexure 12 of the SCN) in the FY 14.03.2005 to 31.03.2006 (prior to the investigation period) through another broker Oasis Securities (part of IKAB Group). Noticee 3 has dealt in 3,50,004 shares of Exide Industries Ltd. during FY's 2005-6 and 2007-8 as opposed to 1,54,822 shares mentioned in Annexure 12 of the SCN. Thus, Noticee 3 has dealt in other shares in the same scrips, as well as in other scrips, where the trades of the Noticee 3 were not matched with HDFC AMC/MF.

n. The SCN is silent about the proximity of time and price between trades of Noticee 3 and other Noticees while establishing that the said trades were synchronized.

35. Vide letter dated March 8, 2018 an opportunity of personal hearing was granted to Noticee 3 on April 10, 2018. During the hearing, Ms. Prachi Pandya, Authorised Representative of Noticee 3 appeared on his behalf and reiterated earlier written submissions filed by Noticee 3 in the matter. It was further admitted that Bankim used to guide Noticee 3 with regard to the scrips to be bought and sold and also used to punch orders on his behalf. It was also submitted that Noticee 3 did not know any other Noticees other than Bankim Shah and IKAB.

36. Vide additional submissions dated April 24, 2018 Noticee 3 submitted as follows:-

a. As per SAT Order dated 09.11.2012 in the matter of Dipak Patel v. SEBI, prior knowledge is *sine qua non* to constitute 'Front Running'. Noticee 3 had no prior knowledge of the trades executed or to be executed by HDFC. He would give orders for trades to be executed in his account. Even the SCN does not in any manner suqgest that he was in touch with Mr. Dharmesh or any person at HDFC who would communicate any information to him.

b. Trades executed in his account were as per his instructions to his dealers, viz. Mr. Anil Bagri and Mr. Bankim Shah (at Respondent No. 10 Broker). The said fact has also been confirmed by Mr. Bankim Shah during investigation before SEBI (Annexure 8 to the SCN). There is no contrary finding to this effect in the SCN.

c. Another important factor to be considered in case of front running is, whether the Noticee would have acted any different if the 'prior information' was not received by him. The fact that he dealt in common scrips prior to, during and after the investigation period, implies that the trades executed in his account were as per his individual decision and not contingent on any 'prior information' from any person.

d. All the conversation exhibited along with the SCN (pre trade and post trade) is between other noticees to the SCN. Noticee 3 was not privy to any pre trade and post trade conversation with anybody, much less other noticees to the SCN (except his dealers).

e. With respect to the trade logs, it was submitted that the same in no manner suggest that Noticee 3 executed synchronized trades with any of the noticees. Further, as per the logs provided along with the SCN, there is substantial time, price and quantity difference between the trades placed by Noticee 3 and counter party. For example, on March 1, 2007 in the scrip of Sesa Goa, there is 1 min 32 second difference between buy and sell order time in respect of alleged synchronised trades with HDFC-MF’s trades. Likewise, Noticee 3 pointed out time difference of over one minute between buy and sell orders in alleged matched trades on 08.03.2007, 21.05.2007 and 22.05.2007 in the scrips of ITC, Exide and Satyam respectively.

f. It was also submitted that in some instances of alleged synchronised trades, there was modification of buy order quantity and sell order quantity which would not have been required if there was meeting of minds prior to placing trades. Further, there was huge difference in quantity of trades placed in the account of Noticee 3 and of the counterparty. These instances included trades executed in the scrips of Dishman and Exide on 21.05.2007.

37. Vide letter dated November 12, 2018, Noticee 3 was granted time till November 30, 2018 to make any additional submissions in the matter. Vide letter dated June 21, 2019 as well, Noticee 3 was granted time till July 1, 2019 to make any additional submissions in the matter.

38. In the interest of natural justice, vide Hearing Notices dated July 17, 2020 and July 24, 2020, Noticee 3 was granted an opportunity of personal hearing on July 24, 2020 and July 30, 2020 respectively. However, Noticee 3 has not responded to the said Hearing Notices.

IKAB Securities and Investment Ltd. (Noticee 4)

39. Noticee 4 replied to the SCN vide letter dated April 7, 2014 seeking extension of four weeks to reply to the SCN, which request was acceded to.

40. Subsequently, vide reply dated August 21, 2014 Noticee 4 made the following submissions:-

a. SEBI has erroneously clubbed Noticee 4 with the others and drawn adverse inferences against it
b. Copy of investigation report were not made available to Noticee 4
c. Noticee 4 is a public limited company promoted by Mr. Indra Kumar Bagri and family, incorporated on January 17, 1991 under the Companies Act, 1956.
d. Noticee 4 became member of BSE Cash segment in September 1998 and F&O segment in May 2000

e. During the month of January 10, 2013, Noticee 4 had filed an application before BSE and NSE for voluntary closing of its business in all the segments of Broking with effect from January 18·2013.

f. The decision to close the broking business was taken due to deteriorating business conditions and financial constraints arising due to fact that operating income from the broking business has been on decline and has resulted in losses during the relevant period.

g. Noticee 4 had been carrying on the broking activities as market intermediary with due diligence, fairness and in compliance with the provisions of law. Since registration, Noticee 4 had an impeccable track record in terms of compliance with the applicable Rules and Regulations. There have never been any complaints against it either by its clients or other brokers. It had never defaulted in meeting payment or delivery obligations to the clients or the Exchange.

h. Presently operating as a non-deposit taking NBFC registered with RBI.

i. No directions were issued against Noticee 4 in the said *ex parte* Order dated June 17, 2010.

j. It is matter of record that, Vivek Mehrotra, Rashi Investments and Ashok Nayak were clients of Noticee 4 and had traded through them during the relevant period. However, no adverse inference can be drawn against Noticee simply because the aforesaid clients had traded through IKAB. The decision to trade in securities was their own independent decision and Noticee 4 had no role to play in the same. At the relevant time, Noticee 4 was not aware that the transactions executed by them were suspected transactions. The said clients had been dealing through Noticee 4 since 1998, and their annual turnovers were very large. During the investigation period of 2006-7 the said clients had dealt in a large number of scrips, and their trading turnover stood at thousand crores of rupees. Noticee 3 had traded in 35 and 34 scrips with trading turnover of Rs. 85 crores and Rs. 146 crores during FY 2006-7 and 2007-8 respectively. The quantum of alleged suspected trades was less than 2.5% of the total trading turnover of Vivek Mehrotra and Rashi Investments and less than 12% in case of Ashok during these two financial years.

k. It is a matter of record that Vivek, Rashi and Ashok had traded through IKAB and their orders were punched by the dealer Bankim Shah.

l. Bankim Shah was not one of the directors of Noticee 4 during the relevant period. He was appointed as director of IKAB with effect from December 15, 2001 at a salary of Rs. 25,000 per month. The appointment was also done to meet certain statutory requirements. However, once the requirement was met by the appointment of a new director, Mr. Bankim Shah resigned as director of IKAB w.e.f. December 19, 2005. Form 32 filed with the Registrar of Companies as required under the Companies Act, 1956 intimating about the resignation of Mr Bankim Shah as director was provided.

m. Bankim Shah is not related to any of the directors or promoters of IKAB and at no point of time he held any shares in IKAB. Bankim Shah was appointed based on his profile that he being a chartered accountant, having a work experience of 13 years in the financial sector at that point of time. His role in the organisation was limited to executing orders for the clients in the capacity of a dealer in the various segments of the market i.e. cash and derivatives. He handled a large number of clients and executed orders on their behalf in the cash and derivatives segment. During the relevant period, Bankim Shah was executing orders placed by various clients including Vivek, Rashi and Ashok Nayak.

n. As a matter of standard procedure post execution of transactions apart from oral confirmation to the clients regarding execution of the orders, contract notes are forwarded to the clients. At no point of time Rashi/Vivek objected to the trades undertaken in their account.

o. It is matter of record that Dharmesh Shah was Noticee 4's client and that and he was introduced by Bankim Shah. However, no adverse inference be drawn against Noticee 4 simply because Dharmesh was having an account with it. It is submitted that, IKAB's relationship with Dharmesh was only limited to that of client and broker. IKAB is not aware of his relationship with others and the same is of no concern to it.

p. Noticee 4 had no knowledge of any structured or matched trades in its clients' accounts.

q. There is there is no allegation that Noticee 4 had any prior understanding with Nilesh, Dharmesh, Vivek, Rashi Investments, Ashok and Bankim Shah who have acted as a group to front run HDFC trades, or that Noticee 4 was aware about their alleged front running trades. There is no evidence/ material brought on record to suggest that Noticee 4 had any connection with the equity dealer Nilesh Kapadia or HDFC Group so as to impute any wrong doing. In so far as others are concerned, again there is no evidence/ material brought on record to suggest that Noticee 4 had any connection with the others viz. Bankim Shah (except as a broker, dealer and client), Dharmesh (except as a broker and client), Vivek (except as a broker and client), Rashi Investments (except as a broker and client), Ashok (except as a broker and client). There is no material brought on record to suggest that IKAB had knowledge of the trades undertaken by the clients allegedly with prior understanding.

r. It is also not clear from the SCN as to how IKAB has aided and abetted others as alleged. Abetment involves mental process of instigating or intentionally aiding person to do certain thing. Some positive act by the accused is essential to constitute abetment. Further, abetment involves active complicity on the part of the abettor at a point of time prior to the actual commission of the offence, and it is of the essence of the crime of abetment that the abettor should substantially assist the principal culprit towards the commission of the offence. Nowhere concurrence in the criminal acts of another without such participation therein as helps to effect the criminal act or purpose is punishable under the Code. Nor does mere negligence amount to abetment. In order to sustain the charge of aiding and abetting, the three ingredients of abetment include 1) by instigating a person to commit an offence; or 2) by engaging in a conspiracy to commit it; or 3) by intentionally aiding a person to commit it.

s. None of the aforesaid three ingredients are present in this matter since IKAB has not instigated anybody to trade. Further, there has not been any allegation of any omission on IKAB's part so as to facilitate anybody to commit the crime.

t. There is no material to suggest any between the dealer and IKAB or the client and IKAB and in the absence of same, IKAB cannot be faulted and charged for aiding and abetting anybody.

u. It is well settled that an employer cannot be saddled with the liability for any alleged unauthorised / expressly forbidden acts undertaken an employee. If the allegations of front running are correct, and Bankim was involved in the same, then Bankim was acting outside the authority and his actions were not known to us. Based on his alleged acts, in which IKAB had no role to play and had not involvement, IKAB cannot be penalized.

v. The SCN issued by SEBI is arbitrary, discriminatory, biased and amongst others, violative of Article 14 of the Constitution of India, since SEBI has charged IKAB under the provisions of PFUTP Regulations, but it has not charged the HDFC Group under the same provisions, despite the fact that all the violations have taken place at its end. SEBI has selectively levelled these allegations against IKAB only and is treating IKAB, which is similarly situated, differently.

w. With regard to alleged violation of provisions of Regulation 7 of SEBI (Stock brokers & sub-brokers) Regulations, 1992 (hereinafter referred to as "Broker Regulations") read with Clause A of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 of the Broker Regulations Noticee 4 submitted that the SCN is vague and it is not clear as to which clause of the Code of Conduct was not complied by IKAB. In the absence of any specific charge against IKAB in the SCN, Noticee 4 is unable to answer the same.

x. Noticee 4 has maintained the highest standards of integrity, due skill and care in the conduct of its business, and has never indulged in manipulative or fraudulent practices, created false market or been involved in excessive speculative business. Noticee 4 has a clean track record.

y. No gains have been made by Noticee 4 as a result of the alleged violations.

41. Vide letter dated October 28, 2016 Noticee 4 intimated SEBI regarding its decision to file settlement application, but the settlement application filed by it in the matter was withdrawn vide letter dated February 14, 2019.

42. In the meantime, Noticee 4 informed vide letter dated December 19, 2017 that it had voluntarily closed all its businesses in all segments of broking with effect from January 18, 2013, and also requested inspection of documents. Noticee 4 through its Authorised Representative Smita Nair availed opportunity to inspect the Investigation Report alongwith all its Annexures on January 23, 2018.

43. An opportunity of personal hearing was granted to Noticee 4 on April 10, 2018, which was availed by Noticee 4 and attended by its Authorised Representative, Mr. Anil Kumar Bagri, Managing Director of Noticee 4. During the hearing, Mr. Bagri reiterated earlier written submissions filed in the matter but accepted that at the relevant time, there was no check and balance in place to curb front running or identify the same. Noticee 4 also admitted that Dharmesh, Vivek, Rashi, Ashok and Bankim were their HNI clients and day-traders cum investors.

44. Vide post-hearing submission dated April 17, 2018, Noticee 4 submitted copies of Power of Attorney given by Vivek and Rashi to Bankim Shah, dealer of Noticee 4. Further, a list of bank and demat accounts of Vivek and Rashi through which they transacted with Noticee 4 during the investigation period was also provided. Noticee 4 also confirmed that all its pay-in and pay-out of funds and securities were received directly from and made directly to the bank and demat accounts of Vivek and Rashi, and that Noticee 4 had never borrowed shares from Dharmesh or anyone else to meet their pay-in obligations.

45. Noticee 4 submitted another reply dated May 25, 2018 specifically addressing a letter dated April 30, 2018 written by Vivek and Rashi. Relevant submissions by Noticee in this letter are given below –

a. Vivek and Rashi are sophisticated investors with their own businesses, who have been trading through Noticee 4 since 1998 and 2005 respectively.
b. The said Noticees have been trading by appointing Bankim Shah by granting PoA in his favour.
c. Over the years (till 2012) the said Clients have executed several trades through IKAB on daily basis running into thousands of crores. The said trading over the years involved regular transfer of funds and securities. The said Clients have regularly ploughed out the funds from their bank account (linked to their trading account) and transferred it to their other bank accounts . Similarly, the said Clients have ploughed in funds from time to time in their bank account (linked to their trading account) from their other bank accounts. Further, the said Clients have booked profits and losses in their books based on the trading done by them.
d. Till date the said Clients have not disputed the trades done by them through us as being unauthorised etc. In fact the said Clients have accepted the trades, transferred/received funds, booked profits etc. and have accordingly shown in their books.
e. The insinuation by the said Clients that they were not aware of the trades etc. is incorrect. Factum of regular ploughing in and ploughing out of funds from the bank account amply demonstrates their knowledge of trading.
f. Further, if the idea was not to trade where was the need for them to appoint Bankim Shah as their POA holder. In fact Bankim Shah in his statement has corroborated that he was executing the trades in the said Clients' accounts pursuant to the POA. Significantly, as per the statement of Bankim Shah, he had worked for the said Clients and was charging the said Clients on lump sum basis for the trades carried out by him.

g. The said Clients were being forwarded the contract notes, ledger statements etc. with regard to their trades. Factum of regular payments by them by inter alia infusing more funds into their bank accounts from time to time demonstrates the receipt of contract notes, awareness about the trading etc.
h. In so far as allegations pertaining to purported “Client ID changes” is concerned, all these years no such issue was raised by the said Clients. Stock exchanges permit the brokers to correct the errors which occur while trading consequent to punching of orders in wrong client code by making changes online on the system. IKAB as brokers would have occasionally made changes, in cases of errors in punching the correct client codes. But the same would not be in the nature of deliberate changing of clients codes as alleged by the said Clients. At the relevant time various inspections of our operations were carried out by the exchanges and nothing violative was found by the exchanges with regard to client code changes etc.

46. Opportunity of personal hearing was granted to Noticee 4 on July 1, 2019 vide hearing notice dated June 21, 2019 but Noticee 4 vide letter dated June 27, 2019 reiterated its earlier submissions and stated that it had no further explanations or documents to submit to SEBI. Due to lapse of time, two additional opportunities of personal hearing before the AO were granted to the Noticee 4 on June 6, 2020 and July 10, 2020. In response, vide e-mail dated July 10, 2020, Shri Anil Bagri, MD of Noticee 4, stated that as the affected brokers in this matter, Noticee 4 had no active role to play in it and there was no malfeasance on its part, towards which it had provided all required data to substantiate its stand. Further, it was submitted that as per Annexure 8 to the SCN, Bankim Shah had accepted that trades on behalf of Mr. Vivek Mehrotra and M/s. Rashi Investments were placed by him only, either on his own judgement or in consultation with Mr. Mehrotra. Noticee 4 had absolutely no role to play in the trades, barring providing broking services for execution of the trades.

47. With reference to proceedings in respect of Vivek Mehrotra and Rashi Investments, it is noted that Settlement Orders dated September 17, 2020 have been passed for Rs. 6,76,64,824/- and Rs. 3,21,93,750/- in respect of Vivek Mehrotra and Rashi Investments respectively. The SCN in respect of Bankim Shah abated and was disposed of vide order dated November 28, 2018 due to death of Bankim Shah.

48. In the light of the above, I hereby proceed to decide the case on its merits, on the basis of material on record.

CONSIDERATION OF ISSUES

49. The issues arising for consideration in the instant proceedings before me are:-

I. Whether the provisions of –

a. Sections 12A (a), (b) and (c) of SEBI Act and Regulations 3 (a), (b), (c) and (d), and 4 (1) of the PFUTP Regulations were violated by Noticees 1, 2 and 3

b. Sections 12A (a), (b) and (c) of SEBI Act and Regulations 3 (a), (b), (c) and (d), and 4 (1) and 2 (a) of the PFUTP Regulations were violated by Noticee 4

II. If yes, whether the Noticees are liable for imposition of monetary penalty under Section 15 HA and 15HB of the SEBI Act?

III. If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5 (2) of the Adjudication Rules?

ISSUE I. Whether the provisions of -

A. Sections 12A (a), (b) and (c) of SEBI Act and Regulations 3 (a), (b), (c) and (d), and 4 (1) of the PFUTP Regulations were violated by Noticees 1, 2 and 3

B. Sections 12A (a), (b) and (c) of SEBI Act and Regulations 3 (a), (b), (c) and (d), and 4 (1) and 2 (a) of the PFUTP Regulations were violated by Noticee 4

50. The text of the relevant legal provisions allegedly violated by the Noticees is reproduced below for reference:-

SEBI Act

SEBI Act:

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 recognised 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 securities market;

Broker Regulations

"*Procedure where registration is not granted.*"

7.(*1) Where an application under regulation 3, does not fulfill the requirements mentioned in regulation 5, the Board may reject the application after giving a reasonable opportunity of being heard.*

(2) The refusal to grant the registration certificate shall be communicated by the Board within thirty days of such refusal to the applicant and to the concerned stock exchange stating therein the grounds on which the application has been rejected.

(3) An applicant whose application has been rejected by the Board under sub-regulation (2), may apply within a period of thirty days from the date of receipt of such intimation, to the board for reconsideration of its decision.(4) The Board shall reconsider an application made under sub-regulation (3) and communicate its decision as soon as possible in writing to the applicant and to the concerned stock exchange.

<u>Clause A of the Code of Conduct for Stock Brokers as specified in Schedule II of the Stock Broker Regulations</u>

A. *General.*

(1) Integrity: A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.

(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

(3) Manipulation : A stock-broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making personal gains.

(4) Malpractices: A stock-broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors interest or which leads to interference with the fair and smooth functioning of the market. A stockbroker shall not involve himself in excessive speculative business in

the market beyond reasonable levels not commensurate with his financial soundness.

(5) Compliance with statutory requirements: A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him.

51. I have perused the SCN, SEBI's orders dated July 24, 2014, January 15, 2016 and July 27, 2018, Hon'ble SAT's order dated December 21, 2017, submissions made by the Noticees and other material available on record. As discussed above, all the Noticees were given sufficient opportunities to appear for hearing and to file their replies/ written submissions.

52. The SCN has alleged that during the investigation period of October 2006 to June 2007, Noticee 1 (a former equity dealer with HDFC AMC between June 2000 to 2010) tipped one Dharmesh Shah regarding impending HDFC AMC trades. Dharmesh Shah in turn facilitated 109 instances of front-running the trades of HDFC AMC/HDFC MF/HDFC AMC's portfolio management client Sudhir Enterprises Pvt. Ltd., where at first orders were placed before HDFC AMC's orders, and then opposite orders to square-off the first orders were placed through the same trading accounts, which in several (more than 85%) instances also matched with HDFC AMC's orders as soon as they were placed. These front-running trades were executed in the trading accounts of Vivek Mehrotra, Rashi Investments and Ashok Amritlal Nayak (for total profit of Rs. 2.86 crores). Mr. Bankim Shah, one of the dealers of IKAB Securities and Investments Limited, punched all the front-run trades of Vivek, Rashi and Ashok Nayak. Mr. Bankim Shah was known to Dharmesh Shah and had introduced the latter as a client to IKAB Securities.

Preliminary objections

53. While dealing with the Noticees' argument that they have suffered on account of delays and laches in the instant case, it would be useful to note the trajectory of proceedings and factual background of this case.

54. Pursuant to *ad interim ex-parte* SEBI Order dated June 17, 2010 ("Sanghvi and Kapadia Group front running matter") passed against Noticee 1 and four other persons in the matter of 38 instances of front-running trades of HDFC AMC during April-July 2007, trustees of HDFC MF set up an investigation committee to examine all transactions of Noticee 1 in his position as equities dealer of HDFC AMC, to identify whether he had indulged in similar front-running activities on other occasions. Vide letter dated October 25, 2010 HDFC AMC informed SEBI that based on voice recording tapes and trade data, KPMG (investigation team constituted for this purpose) informed HDFC AMC of a new front-runner, one Mr. Dharmesh Shah, who used four mobile numbers for his trades. After investigation, a Show Cause Notice was issued to the Noticees in this regard on February 11, 2011, and SEBI order dated July 24 2014 was issued *inter alia* debarring Noticee 1 from accessing the securities market and from buying, selling or dealing in securities, for ten years including the time of debarment effective SEBI order dated June 17, 2010. The said interim order further directed disgorgement of illegal gains from three persons apart from Nilesh Kapadia who were involved in front running trades of HDFC AMC.

55. Upon further investigation it was revealed that Noticee 1 and three additional persons (other than those dealt with in SEBI Order dated July 24, 2014) were also involved in front running trades of HDFC AMC during the relevant period, and that they were jointly and severally liable for ill-gotten profits accrued thereby. Therefore, an order impounding and retaining unlawful gains (alongwith interest thereon) made by seven Noticees including Noticee 1 during 2001-2011 was issued on January 15, 2016. The said order was challenged in SAT, and

SAT vide order dated March 4, 2016, while setting aside the interest on unlawful gains, disposed of the Appeal against order dated January 15, 2016 keeping contentions on both sides open.

56. In the meantime, SEBI's order dated July 24, 2014 had been appealed before the SAT in Appeal No. 329 of 2014, and SAT disposed of related Appeals in the matter vide order dated December 21, 2017, by upholding SEBI order dated July 24, 2014 in the light of the order dated September 20, 2017 passed by the Supreme Court in the matter of *SEBI v. Kanaiyalal Baldevbhai Patel.*

57. Upon completion of investigation in the matter involving front-running trades of HDFC AMC/MF by Noticee 1 alongwith the Sanghvi Group and Kalpana Group, an SCN dated February 14, 2017 was issued to Noticee 1 alongwith 6 other Noticees in the said matter, calling upon the Noticees therein to show cause why suitable directions under section 11B of the SEBI Act should not be issued against them, to confirm the impounding order dated January 15, 2016, and to disgorge the aforesaid amount, including the wrongful gains made and the interest earned thereon by indulging in transactions in contravention of the PFUTP Regulations. The SCN dated February 14, 2017 culminated in SEBI Order dated July 27, 2018 passed under Section 11B of the SEBI Act, whereby 6 entities (not a part of this present order) were ordered to disgorge, with interest, the wrongful gains made from trades front-running the trades of HDFC MF. Likewise, under adjudication proceedings initiated against Noticee 1 and 6 other entities, order dated November 29, 2019 was passed *inter alia* levying a monetary penalty of Rs. 25,00,000/- on Noticee 1 for tipping other entities regarding impending HDFC AMC trades and enabling front-running of those trades between 2000-2010.

58. Thus, I note that various proceedings originating from the tipping off by Noticee 1 regarding HDFC-AMC/MF's trades during the investigation period have taken place since the SCN dated March 20, 2014 was issued. The Noticees have been

granted adequate opportunities to make their submissions at every stage during the present adjudication proceedings. I find that part of the time taken during the present proceedings is attributable to the Noticees' themselves. For instance, vide letter dated April 17, 2014 the Adjudicating Officer had acceded to one of the Noticee's request for inspection and permitted him to contact SEBI at the details provided no later than April 30, 2014. However, the said opportunity was not availed till January 23, 2018. In the meantime, SAT Appeal disposing of appeal against WTM order dated July 24, 2014 was passed on December 21, 2017, granting legal finality to SEBI's order dated July 24, 2014. SEBI's other SCN in the matter of front-running HDFC AMC trades was also disposed of vide WTM Order dated July 27, 2018.

59. I also note that Noticees 1 and 2 in October 2018 had applied for Settlement of charges levelled under the said SCN, but the said Settlement Applications and settlement terms contained therein were rejected in 2019 for not adhering to the Settlement Regulations.

60. In the facts of this case, therefore, I do not find any delay as such in the initiation or progress of proceedings initiated vis-à-vis the Noticees for the violation of PFUTP Regulations while front-running HDFC AMC/MF trades in 2006-7. A significant part of the time taken is also attributable to settlement proceedings and other related legal proceedings in SAT and Supreme Court with an impact on the issues raised in the present SCN.

61. That being the case, I also note that no limitation period is prescribed under the SEBI Act or any of the Regulations issued thereunder regarding a specific period within which SCN needs to be issued or enforcement actions completed against Noticees. Given the trajectory of proceedings, I find that the argument of Noticees on delay and laches is not acceptable.

<u>Admissibility of evidence - whether the call records, audio conversation records and transcripts can be relied on as evidence for levelling the allegations against the Noticees</u>

62. One of the other preliminary contentions raised by the Noticees is that mobile bills, transcripts and voice recordings themselves have not been established to be genuine and the Noticees have not had opportunity to listen to original voice recordings. I am unable to accept this contention as Annexure 3 to the SCN was a CD containing voice recorded audio files and transcripts which was duly served on the Noticees and they had inspected the originals wherever they had desired such inspection. Further, HDFC AMC had vouched for the genuineness of the call records as having been sourced from their master logging server, also authenticated and verified by Senior Fund Managers. In this regard, I note that vide letter dated October 15, 2007 HDFC MF confirmed to SEBI that "*all secondary market equity trades of HDFC MF Schemes are executed through a separate dealing desk. The Dealing Desk is independent of the Fund Managers. Orders are placed by the respective Fund Managers with the Dealer who in turn executes the trades with the empanelled brokers. The Dealer has discretion to execute the orders during the day depending on the traded volumes and prices. All orders are placed telephonically from the Dealing Room and such conversations are recorded.*"

63. Further, HDFC MF has confirmed to SEBI vide its letter dated September 27, 2012 that call recordings submitted to SEBI were extracted from the call logging server of their master voice recording (logger) system installed by M/s. Voice Gate Technologies India Pvt. Ltd. and are genuine. It was confirmed that these recordings were done during the normal course of business and as per extant policy of the company and in accordance with SEBI Circular No. MFD/CIR/15/19133/2002 dated 30.09.2002 detailing risk management practices. Through the same letter HDFC MF had submitted to SEBI declarations of its Executive Director & Chief Investment Officer Shri Prashant Jain, as well as three Senior Fund Managers, that they had identified the voice

of the person who interacted from HDFC AMC with persons having mobile numbers 9920082264, 9820082264, 9320082264 and 9819261805 in the dealing room conversations for the specified days as that of Nilesh Kapadia.

64. Noticee 1 has also contended in its letter dated July 1, 2011 that transcripts of the telephonic conversations cannot be relied upon during adjudication as even HDFC AMC has not vouched for the correctness of the mobile bills converted into text and Excel files, and the same were outsourced to a third party vendor. However, this argument is not convincing as the transcripts of call records, as well as trade timings and stock positions tally with and are proximate to the said conversations depicted through call records. The data points of call records, transcripts and trade timings support each other and provide credence to the genuineness of the records.

65. The fact that Noticees 1 and 2 knew each other well has also not been denied. Noticee 1 had been interacting with Noticee 2 on his mobile numbers more than 1100 times in the two years prior to the investigation period (2004-2006) and 69 times between October 2006 and June 2007, indicating that Noticee 2 was well-known to Noticee 1. Noticee 1 has attempted to explain his conversations with Noticee 2/Dharmesh as intended “to prevent market distortion”, and has not specifically denied that he spoke to Dharmesh Shah at those numbers and at those specific times. The fact that the voice recordings were taken as a matter of course as a part of routine due diligence/risk containment processes of HDFC AMC, and that there are 109 instances of trades matching with the content of the conversations leave little to doubt with respect to the authenticity and genuineness of the records. The communication and reporting of trades of HDFC and of Vivek, Rashi and Ashok are noted between almost on a real-time basis, indicating prior meeting of minds between the Noticees.

66. The contention of Noticee 1 that the calls made to Dharmesh/Noticee 2 were only amongst various calls to market participants to check whether there were

sufficient counterparties to ensure no market disturbance/distortion and that the orders of HDFC were efficiently absorbed, is not credible in view of the concrete evidence that the timings of the calls were within a few seconds/minutes of orders (buy and sell side square-off orders matched to a great extent with the opposite orders placed by HDFC AMC/MF) being placed in trading accounts of Vivek, Rashi and Ashok through dealer (Bankim Shah) of Noticee 4.

67. Further, the contents of the call records indicate detailed manipulation of order price and quantity through trading accounts of Vivek, Rashi and Ashok to ensure that shares which were to be bought/sold by HDFC MF were bought/sold ahead of HDFC MF by third parties connected with Noticees 1 and 2 who then sold/bought these shares at significant profits when HDFC MF tried to buy/sell the said shares. The trading pattern of front-run trades in accounts of Vivek, Rashi and Ashok when seen in the context of call timings made to and from the dealing room phone by Noticee 1 to Noticee 2 (and vice versa) further invalidate the argument of Noticee 1 that calls made to Noticee 2 were casual calls to check market depth or ensure that the trades of HDFC MF were absorbed efficiently.

68. Market efficiency depends on fair trade practices and level playing field in terms of information legally and ethically available to all market participants involved in the trades. However, the conduct of Noticees 1-4 in relation to 109 instances of front-run trades of HDFC MF/AMC indicate that the said trades were front-run based on confidential information obtained and acted upon illegally to make wrongful gains at the expense of market participants who did not have this sensitive information.

69. By misusing his position involving confidential knowledge of HDFC MF’s trades as equities dealer of HDFC AMC, as well as his discretion to enter trades on behalf of HDFC at any time of the day, to tip Noticee 2 so that certain selected investors benefited from prior knowledge of the impending price and volume of HDFC MF’s orders in the relevant scrips, Noticee 1 along with Noticees 2, 3 and

4 actually distorted the market for the said shares, by causing premeditated non-genuine trades to take place with profits for the traders (at the cost of HDFC MF and its investors as well as ordinary general investors) which were nearly guaranteed on account of confidential information selectively available to them.

70. I also note that unlike the requests for cross-examination of individuals (which was ultimately not availed by Noticee 1 in the case of front running HDFC AMC trades in similar facts in respect of other entities as detailed in SEBI Order dated July 24, 2014) made in the facts of the case leading to SEBI Order dated July 24, 2014, Noticee 1 has made no such request in respect of the present SCN.

71. Noticee 1 has also submitted that he was not connected with Dharmesh Shah or Vivek Mehrotra, Rashi Investments and Ashok Nayak. Whereas the relationship between Noticee 1 and Noticee 2, is established through the numerous call recordings between Noticee 1 and 2, Noticee 2 was client of Noticee 4, introduced by Bankim Shah (who punched orders on behalf of Vivek Mehrotra and Rashi Investments) and Noticee 3, Ashok Nayak, was also client of Noticee 4. Their relationship becomes further evident from the statements of Bankim Shah and Ashok Nayak recorded in February and March 2011 and summarised below.

72. Bankim Shah was introducer of Noticee 2, Dharmesh Shah as client of IKAB Securities and Investment Ltd. As per his statements recorded on February 18 and March 4, 2011, he had worked with IKAB as well as Khatri Group of companies owned by Vivek Mehrotra and Rashi Investments. He had a trading terminal in his name when working with IKAB, and traded for his clients on a daily basis based on his own judgement. He had also admitted that he traded on behalf of Vivek Mehrotra and Rashi Investments through IKAB as well. He admitted to knowing Dharmesh Shah as jobber on trading floor of BSE from around 1994/5 and had dealt with him as director of Vibrant Securities Pvt. Ltd.

before 2000. Bankim Shah also stated that he knew Ashok Nayak as a client of IKAB and had placed orders as per his instruction as dealer.

73. When studied in conjunction with the statement on record of Bankim Shah where he stated that he had worked for Vivek and Rashi, and had a long-standing relationship with Noticee 2 since 1994-5 and introduced the latter as client to IKAB Securities/Noticee 4, and also with the trading pattern of front-running transactions executed through the accounts of Vivek, Rashi and Noticees 3 by Bankim Shah in close proximity with the information clearly shown to have been exchanged between Noticees 1 and 2, the contentions of Noticee 2 that he did not know any of the other Noticees in the SCN and had nothing to do with the front-running trades executed in their accounts, lose credence and become unacceptable.

74. Bankim Shah emerges as the common connection between Noticees 2 and 3, as well as Vivek and Rashi, being the dealer for Noticee 3, Vivek and Rashi. Bankim Shah was also closely connected to Noticee 4, being its director from 2001 till 2005, as admitted by Noticee 4, and its dealer with his own terminal, trading for clients of Noticee 4. Evidence in the form of call transcripts and call logs provide the close connection between Noticee 1 and 2. Therefore, the contentions by the Noticees that they did not have any connections with other Noticees are contradicted by the aforesaid facts.

75. What emerges, based on facts, is a pattern of sharing of confidential information by Noticee 1 with Noticee 2, who in turn instructs Bankim Shah to place orders based on the information obtained from Noticee 1. Bankim Shah then places the 109 documented instances of orders in the accounts of 3 clients, namely Vivek, Rashi and Noticee 3.

76. On going through the 109 instances of front-running documented in the SCN, 52 instances were of Sell-Sell-Buy where based on tip given by Noticee 1 regarding

impending sell trades of HDFC AMC, to Noticee 2, sell trades were executed by Bankim Shah in trading accounts of Vivek, Rashi and Noticee 3 for the same quantity of shares that HDFC AMC subsequently placed sell orders for, through its dealing room (Noticee 1), and then around the time of placing of sell order by HDFC AMC, buy trades were executed in trading accounts of the same clients Vivek, Rashi and Noticee 3 to square off their earlier sell trades at a profit.

77. Similarly, 57 instances were of Buy-Buy-Sell pattern where Noticee 1 tipped Noticee 2 about impending buy trades of HDFC AMC/MF and Bankim Shah punched buy orders in the trading accounts of Vivek, Rashi and Noticee 3 only to square them off later by selling them at a profit when HDFC entered its buy orders.

78. A perusal of Annexures 13-18 of the SCN provides trade details regarding Sell-Sell-Buy and Buy-Buy-Sell pattern front-running instances on NSE and BSE which took place in the trading accounts of Vivek, Rashi and Noticee 3. Annexure 14 of the SCN specifically provides an analysis of the said front-running instances and trades executed by Bankim Shah in the accounts of Vivek, Rashi and Noticees 3 in the context of relevant phone conversations between Noticee 1 and Noticee 2 (Dharmesh Shah).

79. For example, the Sell-Sell-Buy pattern front-running in the trading account of Vivek Mehrotra on May 15, 2007 was analysed to reveal that Noticee 1 instructed Noticee 2 on his mobile phone (9320082264) at 11:26:20 to sell around 1,00,000 shares of Satyam Computer Services Ltd. ("Satyam"). Almost immediately, 50,000 shares of Satyam were sold at BSE between 11:27:48 and 12:09:32 in the trading account of Vivek. Similarly, 1,00,746 shares of Satyam were sold at NSE between 11:27:55 and 12:09:34 in the trading account of Vivek. At BSE, within 26 seconds of completion of sell trades by front runner, HDFC had placed sell order for the order quantity of 60,000 shares @ ₹450. The HDFC sell order

was immediately matched with Vivek's buy order and resulted into traded quantity of 50,000 shares between Vivek and HDFC. Similarly, HDFC had placed a sell order at 12:12:52 for the quantity of 1,25,000 shares @ ₹450.05. HDFC sell order was immediately matched with the pending buy orders of Vivek and resulted into trades of 92,947 shares. Noticee 2 had informed Noticee 1 that the trades were completed at BSE and 7,704 shares were pending at NSE. After this, as per transcripts of phone conversation between Noticees 1 and 2, Noticee 1 told Noticee 2 to buy the pending Satyam shares at a rate of Rs 451, and then also advised broker (SSKI) of HDFC MF Account Growth Fund to sell 15000 shares at Rs. 451. This sell order of HDFC MF was immediately matched with Vivek's pending buy order for 7704 shares and resulted in execution of trades. The same was also duly informed by Noticee 2 to Noticee 1 over phone.

80. In the context of telephone conversations between Noticee 1 and Noticee 2 which are evidently in the nature of tipping Noticee 2, when seen alongside the proximate timing of the Sell and Buy square-off trades executed in Vivek's account to match the intervening Sell trade executed by SSKI (the broker of HDFC MF) on the clear instruction of Noticee 1 as dealer of HDFC AMC, the special effort made by Noticee 1 to get a sell trade by HDFC which would ensure that trades induced by Noticee 1 in Vivek's account got executed completely, and the profit of Rs. 732965 made in the account of Vivek through this instance of front-running HDFC MF's trades in the scrip of Satyam, the role of Noticee 1, 2 and 4 in front-running trades of HDFC MF for profit becomes self-evident. 51 other front-running instances of Sell-Sell-Buy pattern were also observed, as detailed in the relevant BSE and NSE trade and order logs provided at Annexures 15 and 16 of the SCN.

81. The SCN has also illustrated an instance of front-running in the scrip of Reliance Petroleum Limited in the Buy-Buy-Sell pattern on June 29, 2007. Noticee 1 instructed Noticee 2 on his phone number 9920082264 to buy 3 lakh Reliance

Petroleum Limited (RPL) shares at 11:46:21. RPL Shares were bought in the trading account of Vivek at 11:47:46 at BSE and 11:47:36 at NSE. The trades were punched by Bankim Shah. Noticee 2 was reporting the status of the trades executed in the trading account. It was observed from the trade and order log that 5,49,090 shares were bought at 11:57:03, 5,50,090 shares @ ₹110.88 were bought at 11:57:07 at NSE in the trading account of Vivek. From the above conversation it is evident that Noticee 2 had reported the status of Vivek's trades in the scrip of RPL to Nilesh.

82. As per the trade log 2,03,139 shares @ ₹111.11 were bought at 11:57:12 at BSE in the trading account of Vivek. Noticee 2 was updating the trades' status at BSE to Nilesh. It is also observed that when Nilesh was asking the trade position at BSE, Noticee 2 was confirming the quantity as 2,39,139 at Rs.111.11. Further, Noticee 1 was advising Noticee 2 to buy 9 lakh shares limit in coded word "11.50", telling only the last four digit of the buy rate indicating Rs.111.50.

83. It is noted from call records that the call between Noticees 1 and 2 was started at 11:56:08 and completed at 11:56:55. However, the status of the instances confirmed by Dharmesh Shah was executed at 11:57:07 as per stock exchange records. The deviation of a few seconds between the Stock exchange time and voice recordings time could be due to the fact that times where recorded by two different clocks. This has also been explained by HDFC MF vide e-mail dated October 25, 2010 as variance in timing of execution of orders and of calls made in respect of those orders in the call records due to difference between system time and actual time.

84. It is observed that 6,64,586 shares @ ₹110.99 were bought at NSE and 2,51,374 shares @ ₹111.186 were bought at BSE in the trading account of Vivek. These details were informed to Nilesh/Noticee 1 by Dharmesh / Noticee 2.

85. Once the purchase of 9,15,000 shares were confirmed by Dharmesh/Noticee 2, Nilesh/Noticee 1 had instructed Dharmesh in coded words "12 mein dal do" indicating to sell the shares at ₹112. Accordingly, a sell order for the quantity of 2,51,374 shares @ ₹112 at 12:00:03 was placed in the trading account of Vivek at BSE. It is observed from the trade and order log that within a few minutes, HDFC had placed the buy order for the quantity of 3 lakh shares @ ₹112.5 at 12:03:03 at BSE. HDFC order was immediately matched with the pending Vivek's sell order and resulted into the trades of 2,51,374 shares i.e, 100% of the Vivek's sell trades were matched by HDFC. Similarly, at NSE as well, sell order for the quantity of 6,64,586 shares @ ₹112.25 was placed at 11:59:52 in the trading account of Vivek. Within few minutes, HDFC had placed the buy order for the quantity of 8 lakh shares @ ₹112.25 at 12:03:00. HDFC order was immediately matched with the pending Vivek's sell order and resulted into the trades of 5,35,292 shares i.e., 80% of the Vivek's sell trades were matched with HDFC's buy trades. After completion of buy and sell trades, the overall status of Vivek's trading position was informed by Dharmesh to Nilesh i.e., Vivek had bought 6,64,586 shares @ ₹110.99 and sold 6,64,586 shares @ ₹112.25 at NSE and Vivek had bought 2,51,374 shares @ ₹111.19, sold 2,51,374 shares @ ₹112.25 at BSE. The BSE's sell quantity was informed by Dharmesh in two parts viz., 250 and 1374 i.e. 2,51,374. There were 56 other such front-running instances with Buy-Buy-Sell pattern where buy orders of HDFC MF were front-run by Noticee 1 tipping off Dharmesh Shah and executing buy orders ahead of HDFC MF, only to square them off later the same day in sell orders matched precisely with HDFC MF's buy orders to result in trades.

86. The timing of the trades and the conversation pre and post-trades between Noticee 1 and 2 where Noticee 2 confirmed to Noticee 1 the traded quantities and price for the trades in the accounts of Vivek, Rashi and Noticee 3 , form a set of uncontroverted facts which tilt the preponderance of probabilities towards

certainty that Noticee 1 along with Noticees 2, enabled trades in the accounts of Vivek, Rashi and Noticee 3 through Bankim Shah, the dealer of Noticee 4 which front-ran trades of HDFC AMC/MF in 109 instances during the relevant period in 2006-7.

87. It is clear from the material on record that out of 62 front-run transactions, 35 were executed in the trading account of Vivek Mehrotra, 10 were executed in the account of Rashi Investments, 6 in the account of Vivek as well as Rashi, and 10 transactions were executed in the account of Ashok Nayak/Noticee 3. All these clients had traded through IKAB Securities and Investments Pvt. Ltd./ Noticee 4.

88. Noticee 3 has contended that some of the trades executed in his account in certain scrips on certain dates did not match the counterparty trades of HDFC MF as alleged in the SCN in terms of time and quantities traded. In this regard, I find that front running takes place when a trade is placed ahead of a large trade to take advantage of the price differential caused by a large trade, and the front runner profits by squaring up the trade at a profit after the large trade is executed. The front-run trades may not necessarily match with the large dealer trades, but would still amount to a violation of Regulations 3 and 4 read with Regulation 2 (1) (c) of the PFUTP Regulations for being a fraudulent and unfair trade practice

89. In terms of Regulation 2 (1) (c) read with Regulations 3 and 4 of the PFUTP Regulations, it is required to be established "*that the harm was induced by the materialization of a risk that was not disclosed because of the tippee's fraudulent practice*".(para. 36 of the judgment of the Supreme Court in the order dated 20.09.2017 in *SEBI v. Kanhaiyalal Baldevbhai Patel*). Once a conclusion has been reached that fraud was committed while dealing in securities, the provisions in Regulations 3 (a), (b), (c) and (d), and 4 (1) of the PFUTP Regulations automatically get attracted. The Supreme Court has favoured a liberal interpretation of the abovementioned provisions in the context of good

faith dealings and market integrity in harmony with the object and purposes of the PFUTP Regulations and the SEBI Act. The Supreme Court has also held that – "*the unequal possession of information is fraudulent only when the information has been acquired in bad faith and thereby inducing an inequitable result for others*." and that "*the information of possible trades that the company is going to undertake is the confidential information of the company concerned, which it has absolute liberty to deal with. Therefore, a person conveying confidential information to another person (tippee) breaches his duty prescribed by law and if the recipient of such information knows of the breach and trades, and there is an inducement to bring about an inequitable result, then the recipient tippee may be said to have committed the fraud.*".

90. The front-running trades executed in the accounts of Vivek, Rashi and Noticee 3 by Bankim Shah after acting on information passed on by Noticee 1 to Noticee 2 regarding impending HDFC MF trades, were entered into with prior understanding amongst these Noticees, and were designed to take advantage of expected price movement in the respective scrips due to large orders expected be placed by HDFC AMC/MF, and to thereby book profits from the said front-run trades.

91. In view of the above, a high percentage of matched transactions is not essential to prove that orders in the accounts of Noticee 3 were placed ahead of impending orders of HDFC MF to take advantage of the price and market depth which HDFC-MF/AMC should rightfully have enjoyed.

92. The Hon'ble Supreme Court in the case of *SEBI v. Kanaiyalal Baldevbhai Patel* (Civil Appeal 2595 of 2013) has clearly interpreted Regulations 2 (1) (c), 3 and 4 of the PFUTP Regulations to include front-running by a non-intermediary within the ambit of "fraud", in consonance with the intent of the said provisions of the PFUTP Regulations. The Apex Court unequivocally rejected the argument that even after fraud while dealing in securities has been established, it is essential

for SEBI to identify the particular provision of the PFUTP Regulations which has been violated. In para. 37, the Supreme Court observed – "*provisions of regulations 3 (a), (b), (c), (d) and 4(1) are couched in general terms to cover diverse situations and possibilities. Once a conclusion, that fraud has been committed while dealing in securities, is arrived at, all these provisions get attracted in a situation like the one under consideration*". In para. 43, the Court held that "*non-intermediary front running may be brought under the prohibition prescribed under regulations 3 and 4 (1), for being fraudulent or unfair trade practice, provided that the ingredients under those heads are satisfied as discussed*" and that "*in order to establish charges against tippee, under regulations 3 (a), (b), (c) and (d) and 4 (1) of FUTP 2003, one needs to prove that a person who had provided the tip was under a duty to keep the non-public information under confidence, further such breach of duty was known to the tippee and he still trades thereby defrauding the person, whose orders were front-runned, by inducing him to deal at the price he did*". While dismissing the relevant Appeals, and while upholding principles of market integrity, level playing field and the duty owed in respect of confidential information, the Court concluded that the concerned parties to the front-running transaction therein were involved in an apparent fraudulent practice violating market integrity. In respect of liability of persons involved in front-running, the Court held – "*The parting of information with regard to an imminent bulk purchase and the subsequent transaction thereto are so intrinsically connected that no other conclusion but one of joint liability of both the initiator of the fraudulent practice and the other party who had knowingly aided in the same is possible.*".

93. Thus, the Noticees in the present case acted on and profited from confidential information belonging to HDFC AMC/MF in respect of its impending trades, which was known to its fund managers and dealers in their professional capacity. The Fund Managers and dealers including Noticee 1 were bound by professional code of conduct as well as SEBI Circular and Regulations prohibiting self-dealing

and front-running, governing them as employees of a mutual fund/AMC. Bankim Shah, dealer of Noticee 4, punched in the front-run trades in the accounts of Vivek, Rashi and Noticee 3. The transactions by the Noticees disturbed market equilibrium and normal price discovery mechanism for the HDFC AMC trades, defrauding HDFC AMC/MF, its investors as well as investors at large, by taking an unfair advantage based on confidential information obtained unfairly.

94. The contention of Noticee 1 and 3 that the SCN does not specify timings of trades and therefore no front-running charge can be made out against the Noticees as for cases where HDFC AMC placed orders first, Noticees cannot be accused of front-running, is a mere assertion not founded in facts. Trade and orders logs for the relevant period for BSE as well as NSE, alongwith all trade details and phone call transcripts were duly served upon the Noticees, and opportunities of inspection were granted to the Noticees who were duly satisfied with the inspection as no specific deficiencies in inspection or the SCN in this regard were pointed out at the relevant time. The SCN and Annexures thereto contain adequate details of timings and content of phone conversations between Noticees 1 and 2, as well of the related front-running trading pattern of the Noticees which led to 80-90% of the Noticees' trades in the impugned transactions being matched with the orders of HDFC AMC/MF. Accordingly, the Noticees' submission in this regard cannot be accepted.

95. Noticee 2 in his reply dated April 6, 2018 has admitted that he knew Noticee 1 (the tipper of HDFC-MF's impending trades related to the impugned front-running transactions) as well as Bankim Shah (the dealer in IKAB who punched all the trades executed in connection with the impugned front-running transactions). In fact, as per his own reply Noticee 2 knew Bankim Shah and Noticee 4 well enough to lend securities to Noticee 4, IKAB Securities (and receive them back) in off-market transfers which are detailed in Annexure 10 of the SCN. As per the said Annexure, in at least 26 instances over the course of

an entire year (March 2006-2007) Noticee 2 transferred shares to and received shares off-market from Vivek. As per reply of Noticee 2, these shares were given as a "*loan to IKAB Securities to meet their client pay-in obligation..without disclosing client identity*". This statement brings out the close relationship between Noticees 2, Bankim Shah, Vivek and Noticee 4, as this was not a one-off instance. The submission of Noticee 2 that he did this as personal favour to Bankim Shah contradicts his submission that he only knew Bankim Shah as a "market friend" or an acquaintance.

96. The voice recordings identified by HDFC MF's Investigation Committee constituted in accordance with SEBI Order of June 17, 2010, call records and transcripts, proximity and sheer number of front-running transactions during the investigation period which were executed in trading accounts of clients of Noticee 4 (of which Noticee 2 was also a client) create an overwhelming preponderance of probability and near certainty that Noticee 2 utilised non-public information received from Noticee 1 in a manner so as to convey the said information to his friend and associate Bankim Shah who then punched orders in trading accounts of Noticees 3, Vivek and Rashi, who were also all known to Bankim Shah. The tangible benefit of front –running HDFC MF's trades accrued in the accounts of Noticee 3, Vivek and Rashi in the form of profits amounting to a total of Rs. 2.86 crores. However, it would be naïve to accept that no benefit accrued to Noticees 1, 2 or 4 (through Bankim Shah) who were at the center of the front running scheme and actually making the trades. Material on record clearly indicates that the front running trades were not actually carried out by the clients Noticee 3, Vivek and Rashi. The clients are only the visible beneficiaries of the trades and were the vehicles for booking of profits. As admitted by Bankim as well as Noticee 4, Bankim Shah was charging clients on lump sum basis for trades carried out by him, indicating some level of profit sharing. The factual matrix of the case creates a high preponderance of probability that Noticee 1, 2

and 4 being the architects of the scheme, also shared the profits resulting from the fraudulent trades.

97. Noticees 1 and 2 thus perpetrated a scheme of front running trades of HDFC AMC with the help of Bankim Shah and Noticee 4. The trades were executed in the accounts of Noticee 3 as well as Vivek and Rashi. By enabling such front running and misutilising confidential information regarding HDFC AMC trades, Noticees 1 and 2 employed a scheme to defraud in connection with dealing in securities on the exchange, and engaged in acts which operated as fraud on HDFC AMC/MF, investors of HDFC AMC/MF as well as ordinary investors, in violation of Section 12A (a), (b) and (c) of the SEBI Act and Regulations 3 (a) (b) (c) and (d) and 4(1) of the PFUTP Regulations.

98. In respect of the allegations levelled against Noticee 3, Ashok Nayak in his statement dated February 24, 2011 mentioned that he had not authorised Bankim Shah to place orders on his behalf and that it was Bankim Shah who punched the entire front run trades of Noticee 3. However, Noticee 3 has admitted during the hearing on April 10, 2018 that Bankim Shah used to guide him regarding the scrips to be bought and sold and used to punch orders on his behalf.

99. While the trades in the account of Noticee 3 were placed by Bankim Shah, who also admittedly guided the Noticee 3 at times, Noticee 3 cannot deny that the profits of the front run trades did not accrue to him. Noticee 3 has not denied this and thus, he cannot escape liability for the illegal gains made through trades which were front running trades and thus fraudulent.

100. The submissions made by Noticee 3, that he had traded the scrips where he allegedly executed front-running trades, in other non-front-running instances as well, is not relevant as there is no allegation that all of his trades during the relevant period were involved in front-running.

101. Noticee No.3 was thus a beneficiary of the fraudulent scheme of front running and profited from such fraudulent trades to the tune of Rs.37.32 lakhs in violation of Section 12A (a), (b) and (c) of the SEBI Act and Regulations 3 (a) (b) (c) and (d) and 4(1) of the PFUTP Regulations.

102. Noticee 4 was the broker whose dealer Bankim Shah colluded with Noticees 1 and 2 in carrying out the impugned front-running transactions in the relevant period. This fact has not been disputed. Bankim Shah had punched orders for all the impugned front running transactions in the accounts of Noticees 3, Vivek and Rashi. Noticee 4 has sought to distance itself from the illegal trades by laying the entire blame on its dealer Bankim Shah, by stating that Bankim Shah did not continue as its Director after 2005. However, the fact remains that Bankim Shah had a long association with Noticee 4, being its Director, admittedly from December 15, 2001 to December 19, 2005. Even after he no longer served as a Director, Bankim Shah continued to be a dealer with his own terminal and dedicated clients. Bankim Shah also charged his clients on a lumpsum basis indicating some kind of profit sharing. This indicates that Bankim Shah had significant control over activities of Noticee 4 as a broker. Admittedly, clients had given PoA in favour of Bankim Shah to trade in their accounts. The fact that clients trusted Bakim Shah to engage in trades legally was a trust based not in the individual Bankim Shah, but in the registered Stock Broker IKAB Securities. Noticee 4 cannot plead itself to be separate from Bankim Shah's actions and plead complete ignorance of all his activities. The instances of several off-market trades documented in the SCN between Noticee 2 and Vivek and the submission of Noticee 2 regarding use of scrips for settling trades of other clients by Noticee 4, indicate the involvement of Noticee 4 in mis-use of PoA to transfer securities of clients for use of other clients which lead to fraud on clients. Evidence of off-market transaction documented in the SCN prove that Noticee 4 was not separate from the activities of Bankim Shah.

103. From the above, it is evident that for the duration of the investigation period Noticee 4 failed to monitor the trades taking place through the trading terminal being used by its dealer for executing front-running transactions in the accounts of its clients. Noticee 4 has also admitted that it did not have any mechanism in place to monitor or prevent front-running at the relevant time. I also note that in the record of hearing proceedings dated April 10, 2018 there is a mention by the MD of Noticee 4 that "there was no check and balance in place during the relevant period to curb front-running or identify the same".

104. There was no connection of the clients i.e. Noticee 3, Vivek and Rashi with Noticee 1 and 2 except through Noticee 4. It was impossible for the 3 clients to have made front running transactions unless these were facilitated by Noticee 4. Thus, by facilitating fraudulent front running trades through its dealer, Noticee 4 not only failed to act with due diligence, integrity and high standards in violation of Clause (A) of Code of Conduct in Schedule II of the Broker Regulations, but also enabled fraudulent transactions to take place.

105. By failing to check the actions of front running taking place through its dealer and by having no oversight on the activities of it's dealer with respect to client trades, as well as client fund and securities transactions, Noticee 4 gave tacit consent to such activities and enabled dealing in securities in a fraudulent manner in violation of Section 12A (a), (b) and (c) of the SEBI Act and Regulations 3 (a) (b) (c) and (d) and 4(1) of the PFUTP Regulations.

106. In view of the above, it is established that Noticees No. 1, 2 and 3 violated Section 12A (a), (b) and (c) of the SEBI Act and Regulation 3 (a), (b), (c) and (d) as well as 4 (1) of the PFUTP Regulations. Noticee 4 violated Section 12A (a), (b) and (c) of the SEBI Act and Regulation 3 (a), (b), (c) and (d) as well as 4 (1) of the PFUTP Regulations and Clause (A) in Schedule II of the Broker Regulations.

Issue II. **If yes, whether the Noticees are liable for imposition of monetary penalty under Section 15HA and 15HB of the SEBI Act?**

Issue III. **If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15 J of the SEBI Act read with Rule 5 (2) of the Adjudication Rules?**

107. As it has been established that Noticees No. 1, 2 and 3 violated Section 12A (a), (b) and (c) of the SEBI Act and Regulation 3 (a), (b), (c) and (d) as well as 4 (1) of the PFUTP Regulations, they are liable for payment of monetary penalty in terms of Section 15HA of the SEBI Act. As it has been established that Noticee 4 violated Section 12A (a), (b) and (c) of the SEBI Act and Regulation 3 (a), (b), (c) and (d) aand 4 (1) of the PFUTP Regulations as well as Clause (A) in Schedule II of the Broker Regulations, Noticee 4 is liable for payment of monetary penalty in terms of Section 15HA and 15 HB of the SEBI Act.

108. Text of the relevant provision is reproduced below for reference:-

SEBI Act

Penalty for fraudulent and unfair trade practices.

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

Penalty for contravention where no separate penalty has been provided.

15HB. *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees.*

109. While determining the quantum of penalty under Section 15A (b) of the SEBI Act, the following factors stipulated in Section 15J of the SEBI Act have to be given due regard:-

> **SEBI Act**
> **"15J. Factors to be taken into account by the adjudicating officer**
> While adjudging quantum of penalty under Section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-
> (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
> (b) the amount of loss caused to an investor or group of investors as a result of the default;
> (c) the repetitive nature of the default."

110. The total unlawful gains are stated to be Rs. 2.86 crores and unlawful gains accruing in the account of Noticee 3 is Rs. 37.32 lakhs. The amount of profits made by Noticee 1 or 2 in facilitating the front running trades is not determined by the material on record. However, the amount of loss caused to HDFC AMC and its investors by the actions of Noticee 1, 2 and 4 is determined to be the total unlawful gain i.e Rs.2.86 crores. The Noticees 1, 2 and 4 were the architects of the fraudulent front running scheme and the facts of the case indicate a preponderance of probability of sharing of gains amongst the Noticees. I also note that Noticee 1 has been levied penalty of Rs. 25,00,000/- in a previous adjudication order dated November 29, 2019 (arising from SEBI's investigation pursuant to interim order dated June 17, 2010) for front-running trades of HDFC AMC/MF in other instances where the illegal gains amounted to Rs.1.52 crores.

111. In view of the above, I find that a penalty of Rs. 50,00,000/- each on Noticee 1 and Noticee 2 under Section 15HA of SEBI Act for the violation of the Section 12A (a), (b) and (c) of the SEBI Act and Regulations 3 (a) (b) (c) and (d) and 4(1) of the PFUTP Regulations would be commensurate with the facts of this case.

112. In view of the illegal profits accruing to Noticee 3 on account of fraudulent front running trades, a penalty of Rs. 40,00,000/- under Section 15HA of SEBI Act would be commensurate with the violations of Section 12A (a), (b) and (c) of the SEBI Act and Regulations 3 (a) (b) (c) and (d) and 4(1) of the PFUTP Regulations committed by Noticee 3.

113. On account of failure to act with due skill, care and diligence and facilitating fraudulent front running trades over a long period of time, which resulted in illegal profits to the tune of 2.86 crores, and which would have earned unlawful commission for the Noticee 4, a penalty of Rs.50,00,000 under Section 15HA of SEBI Act and Rs.10,00,000 under Section 15HB of SEBI Act will be commensurate with the violations of Section 12A (a), (b) and (c) of the SEBI Act and Regulation 3 (a), (b), (c) and (d) as well as 4 (1) of the PFUTP Regulations and Clause (A) in Schedule II of the Broker Regulations committed by Noticee 4.

ORDER

114. After taking into consideration all the facts and circumstances of the case, in exercise of powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose the following penalty upon the Noticee :-

Name of the Noticee	Penalty Provisions and Violations	Penalty Amount
Nilesh Kapadia (PAN AABPK0356Q)	Under Section 15HA of the SEBI Act for violation of Section 12A (a), (b) and (c) of the SEBI Act and Regulation 3 (a), (b), (c) and (d) as well as 4 (1) of the PFUTP Regulations	Rs. 50,00,000/- (Rs. Fifty Lakhs)
Dharmesh Shah (PAN AAEPS0898Q)	Under Section 15HA of the SEBI Act for violation of Section 12A (a), (b) and (c) of the SEBI Act and Regulation 3 (a), (b), (c) and (d) as well as 4 (1) of the PFUTP Regulations	Rs. 50,00,000/- (Rs. Fifty Lakhs)

Ashok Nayak (PAN AAAPN7882M)	Under Section 15HA of the SEBI Act for violation of Section 12A (a), (b) and (c) of the SEBI Act and Regulation 3 (a), (b), (c) and (d) as well as 4 (1) of the PFUTP Regulations	Rs. 40,00,000/- (Rs. Forty Lakhs)
Ikab Securities and Investment Ltd.	Under Section 15HA for violation of Section 12A (a), (b) and (c) of the SEBI Act and Regulation 3 (a), (b), (c) and (d) as well as 4 (1) of the PFUTP Regulations	Rs. 50,00,000/- (Rs. Fifty lakhs)
	Under Section 15HB for violation of Clause (A) in Schedule II of the Broker Regulations	Rs. 10,00,000/- (Rs. 10 lakhs)

115. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR through online payment facility available on the SEBI website www.sebi.gov.in on the following path, by clicking on the payment link -

ENFORCEMENT → Orders → Orders of AO → PAY NOW

116. The Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid to the Enforcement Department of SEBI. The Noticees shall provide the following details while forwarding DD/ payment information:-

a) Name and PAN of the entity (Noticee)
b) Name of the case / matter
c) Purpose of Payment – Payment of penalty under AO proceedings
d) Bank Name and Account Number
e) Transaction Number

117. Copies of this Adjudication Order are being sent to the Noticees and also to SEBI in terms of Rule 6 of the Adjudication Rules.

DATE: JULY 30, 2020
PLACE: MUMBAI

MANINDER CHEEMA
ADJUDICATING OFFICER