BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/BM/JR/2022-23/25178]

UNDER SECTION 15-I 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

Krishna Beneficiary Trust

(PAN: AABTK8226B)

In the matter of Trading in Illiquid Stock Options on BSE

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") observed large scale reversal of trades in stock options segment of Bombay Stock Exchange (hereinafter referred to as "**BSE**"). SEBI observed that such large scale reversal of trades in stock options lead to creation of artificial volume at BSE. In view of the same, SEBI conducted an investigation into the trading activities of certain entities in illiquid stock options at BSE for the period April 1, 2014 to September 30, 2015 (hereinafter referred to as "**IP**").

2. Pursuant to investigation, it was observed that total 2,91,744 trades comprising substantial 81.40% of all the trades executed in stock options segment of BSE during the IP were non genuine trades. The aforesaid non-genuine trades resulted into creation of artificial volume in stock options segment of BSE during the IP. It was observed that Krishna Beneficiary Trust (PAN – AABTK8226B) (hereinafter referred to as the "**Noticee**") was one of the various entities who indulged in execution of reversal trades in stock options segment of BSE during the IP. Such trades were

observed to be non-genuine in nature and created false or misleading appearance of trading in terms of artificial volumes in stock options and therefore were alleged to be manipulative, deceptive in nature. In view of the same, SEBI initiated adjudication proceedings against the Noticee for violation of the provisions of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**").

APPOINTMENT OF ADJUDICATING OFFICER

3. Ms. Pramila Sridhar was appointed as Adjudicating Officer in the matter, conveyed vide communique dated June 28, 2021, under section 19 read with Section 15-I(1) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**") and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**Adjudication Rules**") to conduct adjudication proceedings in the manner specified under Rule 4 of Adjudication Rules read with section 15-I(1) and (2) of SEBI Act, and if satisfied that penalty is liable, impose such penalty deemed fit in terms of rule 5 of Adjudication Rules and section 15HA of SEBI Act. Due to re-assigning of cases, the undersigned was appointed as the Adjudicating Officer in the matter vide order dated March 17, 2023

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice dated July 26, 2021 (hereinafter referred to as 'SCN') was issued to the Noticee under Rule 4(1) of the Adjudication Rules through email to show-cause as to why an inquiry should not be initiated against it for the alleged violation of regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of PFUTP Regulations and why penalty should not be imposed under section 15HA of the SEBI Act for the violations alleged to have been committed by Noticee.

5. In the interest of natural justice an opportunity of personal hearing was given to the Noticee on October 1, 2021 vide notice dated September 9, 2021. Vide email dated September 30, 2021, the Authorised Representative (hereinafter referred to as "**AR**") of the Noticee sought adjournment for the hearing scheduled. Another opportunity of personal hearing was given to the Noticee on November 17, 2021. The AR vide email dated November 16, 2021 replied to the SCN stating, inter alia, the following:

   "We wish to inform you that Krishna Beneficiary trust was already dissolved w.e.f. 30th March 2018. This was noticed and apprised by our CA when your show cause notice was forwarded to him. The said trust was dissolved and simultaneously PAN was also surrendered to income tax department on 08th August 2018. The copy of dissolution deed along with acknowledgment of surrender of PAN is attached herewith."

6. The AR further submitted a copy of the original trust deed executed on December 18, 2010. On perusal of the same, it is noted, "*The trust will come to an end the day on which the beneficiary attains the age of 18 years that is 14/05/2016 or the day of death of beneficiary whichever is earlier and till then the trustees shall not distribute any income or trust fund to the beneficiary.*"

7. Further, on perusal of the dissolution deed dated March 30, 2018, it is noted that as the beneficiary attained the age of eighteen the said trust was dissolved.

8. I note that the SCN was issued to the Noticee on July 26, 2021 when the trust was already dissolved and the PAN was surrendered. As the Noticee had no existence on the day the SCN was issued, I do not find it to be a fit case to be adjudicated upon.

9. In view of the foregoing, the SCN dated July 26, 2021 issued against the Noticee is disposed of accordingly.

10. In terms of rule 6 of the Adjudication Rules, copy of this order is sent to the AR (as the Noticee is no more in existence) and also to SEBI.

Date: March 29, 2023	**BARNALI MUKHERJEE**
Place: Mumbai	**ADJUDICATING OFFICER**