BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. Order/GG/AS/2022-23/18395

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

In respect of:

Late Smt Chuma Devi
(PAN: AHJPD6710A)

In the matter of Dealings in Illiquid Stock Options at BSE

A. BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted an investigation into the trading activity in illiquid stock options on Bombay Stock Exchange Limited (hereinafter referred to as "**BSE**") for the period from April 01, 2014 to September 30, 2015 (hereinafter referred to as the "**Investigation Period")** after observing large scale reversal of trades in the stock options segment of the BSE.

2. Pursuant to a preliminary examination conducted in the Illiquid Stock Options matter, an Interim order was passed by SEBI on August 20, 2015 against 59 entities which were confirmed vide Orders dated July 30, 2016 and August 22, 2016. Meanwhile, SEBI initiated a detailed investigation relating to trading in stock options segment of BSE which was completed in the year 2018. The investigation findings revealed that of all trades executed in the stock options segment of BSE during the Investigation Period, 81.38% of the trades, that is

2,91,643 trades, were trades which involved a reversal of buy and sell positions by the clients and counterparties in a contract. The investigation revealed that 14,720 entities were involved in executing non-genuine trades in BSE's stock options segment during the investigation period.

3. The proceedings initiated against the first set of 59 entities, vide the aforementioned Interim Order were disposed of vide final Order dated April 05, 2018, without any further directions, observing that the Adjudicating Officer shall continue the proceedings in accordance with the SEBI Act, 1992 and SEBI (Procedure for Holding and Imposing Penalties) Rules, 1995 and pass appropriate order on merits. It was also recorded therein that SEBI has decided to take appropriate action against all 14720 entities in phases. The captioned proceedings initiated against the Noticee is part of the aforesaid mass action initiated by SEBI against the large number of entities.

4. It was observed that, Smt Chuma Devi (PAN: AHJPD6710A) (hereinafter referred to as the "**Noticee"**) was one of the entities, whose reversal trades allegedly involved squaring off of open positions with a significant price difference without any basis. The aforesaid reversal trades allegedly contributed to the generation of artificial volumes, leading to allegations that the Noticee had violated the provisions of Regulations 3(a), (b), (c), (d) and Regulation 4(1) and 4(2) (a) of the SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as the "**PFUTP Regulations**").

B. APPOINTMENT OF ADJUDICATING OFFICER

5. SEBI initiated adjudication proceedings and appointed the undersigned, as the Adjudicating Officer under Section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the "**SEBI Act**") read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995

(hereinafter referred to as the "**SEBI Adjudication Rules**"), conveyed vide communication dated November 12, 2021 to inquire into and adjudge under Section 15HA of the SEBI Act, with respect to the allegations against the Noticee.

C. SHOW CAUSE NOTICE AND REPLY

6. A Show Cause Notice dated August 10, 2022 (hereinafter referred to as "**SCN**") was served on the Noticee by email, under Rule 4(1) of the SEBI Adjudication Rules to show cause as to why an inquiry should not be initiated against the Noticee and penalty should not be imposed under Section 15HA of the SEBI Act for the alleged violation of the provisions of Regulations 3(a),(b),(c),(d)), 4(1) and 4(2)(a) of the PFUTP Regulations.

7. In response to the SCN, Ms Sudha Pokhriyal, Daughter in law of the Noticee, submitted Death Certificate of the Noticee vide email dated August 16, 2022. Therefore, I do not find necessary to state the factual assertions made in the SCN, pertaining to the alleged reversal trades executed by the Noticee during the IP in Illiquid Stock options segment at BSE.

8. I note that Ms Sudha Pokhriyal had submitted the said Death certificate and contended that the Adjudication Proceeding initiated against the Noticee must be disposed of. In this regard, the Hon'ble Supreme Court in its judgment in the matter of Girija Nandini vs. Bijendra Narain Choudhury (AIR 1967 SC 2110) has held that in case of personal actions, i.e. the actions where the relief sought is personal to the deceased, the right to sue will not survive to or against the representatives, and in such cases the maxim "actio personalis moritur cum persona" (personal action dies with the death of the person) would apply. The Hon'ble Securities Appellate Tribunal has also held in the matter of Chandravadan J Dalal Vs. SEBI (Appeal No. 35/2004), decided on June 15,

2005, that *"The appeal abates since the appellant during the pendency of the appeal died on 29th November, 2004. The appeal accordingly abates. The penalty imposed on the original appellant being personal in nature also abates"*. In the present case, I note from the copy of the Death Certificate registered on July 01, 2021 issued by the South Delhi Municipal Corporation, that the Noticee had passed away on May 05, 2021. The Adjudication Proceedings initiated against the Noticee would therefore abate.

9. The SCN dated August 10, 2022 issued to the Noticee with respect to the alleged reversal trades executed in Illiquid Stock Options contracts at BSE stands disposed of.

10. In terms of Rule 6 of the Adjudication Rules, copies of this order are being sent to the representative of the Noticee and also to SEBI.

Date: August 24, 2022 **GEETHA G**

Place: Mumbai **ADJUDICATING OFFICER**