BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO.: Order/VV/NK/2023-24/28748]

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

In respect of:

Late Shri BABULAL MISHRIMAL VARDHAN

(PAN: AAAPV5349P)

In the matter of dealings in Ill-liquid Stock Options at BSE

Facts of the Case

1. Securities and Exchange Board of India (hereinafter referred to as “SEBI”) observed large scale reversal of trades in the Stock Options segment of the Bombay Stock Exchange (hereinafter referred to as “BSE”) leading to the alleged creation of artificial volume in the stock options segment. In this regard, SEBI conducted an investigation into the trading activity in the illiquid Stock Options segment at the BSE for the period April 01, 2014 to September 30, 2015 (hereinafter referred to as “Investigation Period”).

2. It was observed during the course of investigation that a total of 2, 91, 744 trades comprising 81.40 % of all the trades executed in the Stock Options Segment at the BSE during the investigation period were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract on the same day. It was observed that Shri Babulal Mishrimal Vardhan (hereinafter referred to as “Noticee”) was one such client whose reversal trades involved squaring off open positions with a significant difference without any basis for such change in the contract price. The said reversal trades allegedly resulted into generation of

artificial volumes, leading to allegations that the Noticee had violated the provisions of Regulations 3 (a), (b), (c) & (d) and Regulations 4 (1) & 4 (2) (a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as **"PFUTP Regulations"**)

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI initiated adjudication proceedings and Undersigned is appointed as the Adjudicating Officer **(AO)** by SEBI, under Section 19 of the Securities and Exchange Board of India Act, 1992, (hereinafter referred to as **"SEBI Act"**) read with Section 15-I (1) of the SEBI Act and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **"Adjudication Rules"**) to inquire into and adjudge, the violation alleged to have been committed by the Noticee and conduct adjudication proceedings *inter-alia* in respect of the Noticee, in the manner specified under Rule 4 of the Adjudication Rules read with Section 15-I (1) and (2) of the SEBI Act, and if satisfied that penalty is liable, to impose such penalty deemed fit in terms of Rule 5 of the Adjudication Rules and in terms of Section 15HA of the SEBI Act.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

4. Show Cause Notice dated September 02, 2021 (hereinafter referred to as **"SCN"**) was issued to the Noticee in terms of Rule 4 of the Adjudication Rules read with Section 15-I of the SEBI Act, to show cause as to why an inquiry should not be initiated and penalty should not be imposed under Section 15HA of the SEBI Act, on the Noticee for the alleged violation of Regulation 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a) of PFUTP Regulations. In the interest of natural justice, Noticee was also granted hearing on April 21, 2021 vide hearing notice dated April 01, 2021 which

was duly served to Noticee through Digitally signed email and SPAD. However , Noticee failed to attend the hearing.

5. Thereafter, vide Supplementary SCN ("**SSCN**") dated August 12, 2022, Noticee was informed regarding SEBI Settlement Scheme, 2022 (hereinafter referred to as "**SEBI Settlement Scheme**") framed by SEBI in the matter of Illiquid Stock Options. The aforementioned SSCN was served upon Noticee vide digitally signed email and SPAD.

6. In the SCN the Noticee was informed about the SEBI Settlement Scheme, 2022, in terms of Regulation 26 of the Securities and Exchange Board of India (Settlement Proceedings) Regulations, 2018 in the matter of Illiquid Stock Options and in case, Noticee do not wish to avail of the facility under the SEBI Settlement Scheme, 2022, Noticee was advised to file a reply to the SCN within 30 days of the receipt of the SCN. I note that Noticee did not availed the settlement scheme.

7. In the interest of natural justice, vide hearing notice ("HN") dated March 06, 2023 served on Noticee through digitally signed email and SPAD, Noticee was granted an opportunity of personal hearing in the matter on March 21, 2023 through video conferencing on the Webex platform. However, Noticee did not appeared for the hearing on March 21, 2023. Thereafter, Noticee was once again granted another opportunity of hearing through digitally signed email and SPAD dated August 01, 2023 on August 18, 2023.

8. With regard to aforementioned Hearing notice dated August 01, 2023, undersigned was informed vide an email dated August 16, 2023 received from his email id on record informing that, Noticee has passed away on December 19, 2021. In this regard, a scanned copy of the death certificate of the Noticee was also submitted alongwith the said email.

9. I note that as per the death certificate dated December 28, 2021 issued by Department of Health,Municipal Corporation of Greater Mumbai D ward, Government of Maharashtra, the Noticee had passed away on December 19, 2021.

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

11. I note that in the matter of Girijandini vs. Bijendra Narain (AIR 1967 SC 2110), the Hon'ble Supreme Court, *inter-alia*, observed that in case of personal action, 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.

12. Further, the Hon'ble Securities Appellate Tribunal has also held in Chandravadan J Dalal Vs. SEBI (Appeal No. 35/2004) that *"The appeal abates since the appellant during the pendency of the appeal died on 29th November, 2004. The appeal accordingly abates"*.

13. Relying, on the aforementioned Orders of Hon'ble Supreme Court and Hon'ble Securities Appellate Tribunal, I am of the view that the adjudication proceedings initiated against the deceased Noticee will not survive and is liable to be abated without going into the merits of the case. Consequently, no penalty is imposed on the Noticee, who is since deceased, and the Adjudication Proceedings against her stand abated.

14. Thus, in accordance with the law, the present Adjudication proceedings initiated against the Noticee viz. Shri Babulal Mishrimal Vardhan, vide the SCN dated

September 02, 2021 and SSCN dated August 12, 2022 is disposed of without going into the merits of the case.

15. In terms of Rule 6 of the SEBI Adjudication Rules, 1995, a copy of this order is being sent to Noticee's address and email Id on record and to the Securities and Exchange Board of India.

Date: August 21, 2023 **Vijayant Kumar Verma**

Place: Mumbai **Adjudicating Officer**