

WTM/AB/IMD/DF3/07/2020-21

SECURITIES AND EXCHANGE BOARD OF INDIA
FINAL ORDER

Under Sections 11 (1), 11B (1) and 11B (2) of the Securities and Exchange Board of India Act, 1992

In respect of:

Sr. No.	Name of the Noticee	PAN/ DIN
1.	Shri Sasidhar V	AACCK2193D

In the matter of:

Schemes of Taurus Mutual Fund holding debt instruments of Ballarpur Industries Ltd.

1. Present proceedings have emanated from a show cause notice dated September 30, 2019 (hereinafter referred to as, “**SCN**”) issued to Shri Sasidhar V (hereinafter referred to as “**Noticee/Sasidhar**”, alleging violations of Regulation 3(a) and 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations, 2003**”) and SEBI circular no SEBI/IMD/CIR No.11/78450/06 dated October 11, 2006. The Noticee was called upon to show cause as to why suitable directions under Sections 11 (1), 11B (1) and 11B (2) of the SEBI Act, 1992 should not be issued against them. The copies of documents relied upon in the SCN were also provided to the Noticee, as detailed below:

Annexure No.	Details
1.	Email dated January 23, 2018 from Taurus Mutual Fund
2.	Email dated January 23, 2018 from Taurus Mutual Fund

3.	Copies of Applications
4..	Email dated November 21, 2017 and November 22, 2017 from Taurus Mutual Fund
5.	Email dated January 22, 2018 from Taurus Mutual Fund
6.	Emails dated January 19, 2017 and January 20, 2018 from Solaris

2. Subsequently, a supplementary show cause notice dated January 17, 2020 (hereinafter referred to as '**supplementary SCN**') was issued to the Noticee informing him that paragraph 9 of the SCN dated September 30, 2019 stands deleted. SCN and supplementary SCN are hereinafter collectively referred to as "**SCNs**".
3. The brief facts leading to the issuance of the SCNs, as narrated in the SCN are as under:
 - (a) Taurus Mutual Fund (hereinafter may be referred to as "**Taurus MF/TMF**") is a mutual fund having a certificate of registration granted by SEBI. Taurus Asset Management Company Ltd (hereinafter may be referred to as "**Taurus AMC**") is the asset management company of the Taurus MF.
 - (b) Taurus Liquid Fund, Taurus Dynamic Income Fund, Taurus Ultra Short Term Bond Fund and Taurus Short Term Income Fund (hereinafter referred to collectively as 'Four Schemes of Taurus MF') had exposure in debt securities issued by Ballarpur Industries Ltd (hereinafter referred to as BILT). On February 20, 2017, February 22, 2017 and February 27, 2017, BILT defaulted on its payment obligation of Rs. 45 crores, Rs. 39.75 crores and Rs. 22.25 crores respectively.
 - (c) TMF on February 21, 2017, informed the Board of Taurus AMC and Taurus Investment Trust Company Limited (hereinafter referred to as 'Trustee or Trustee Company') about the inability of BILT to honour the commitment of payment of Commercial Papers (CPs) on account of their financial crisis. The Board of

Taurus AMC and Trustees in meetings held on February 22, 2017, *inter alia* decided to classify the CPs of BILT held by the Fund as non-performing assets (NPAs). Further, the boards approved the marking down of the value of the BILT securities to zero and decided to suspend subscription in the affected schemes w.e.f. February 23, 2017.

(d) Pursuant to default by CPs of BILT, the chronology of events were as follows:

- (i) February 20, 2017: Taurus AMC/TMF became aware of the default around 7:25 PM on February 20, 2017 but went ahead and published the NAV of the schemes without appropriately valuing BILT debt securities. The NAV of the Four schemes of Taurus MF were published at 08:44 pm on February 20, 2017.
- (ii) February 21, 2017: As per the submissions of TMF, on the next day, February 21, 2017, the Valuation committee members met to discuss the issue in detail and recommended that the investment in BILT needs to be marked down fully and this recommendation be made to the Board of AMC and Trustees Company for them to take a final decision. The NAV of Taurus Liquid Scheme was published at 08:08 pm on February 21, 2017.
- (iii) February 22, 2017: The Board of the AMC and the Board of the Trustee Company met on February 22, 2017 (afternoon) and decided to endorse the Valuation Committee recommendation to mark down all the investments / maturity proceeds of BILT CPs by 100%. This had an impact on NAV of the four schemes of Taurus MF. The NAV of the Four schemes of Taurus MF were published at 08:49 pm on February 22, 2017.

(e) Taurus AMC failed to value the securities of BILT on the day of default. The value of the CPs of BILT were marked down to zero on February 22, 2017.

(f) Taurus AMC vide email dated January 23, 2018 informed that Mr. Sasidhar V (the Noticee) was Head-Customer Service of Taurus Mutual Fund.

(g) During the course of inspection of Taurus Mutual Fund, with respect to treatment

to all investors in the Four schemes of Taurus MF before their markdown in valuation on February 22, 2017, the following were observed:

- (i) The inspection of Date and Time Stamping Machine (DTSM) and adherence to cut-off timings revealed the following:

A. The time stamp on the applications on February 17, 2017 were as follows:

Date	Name of applicant	Time stamp	Nature of application
17/02/2017	Revant Hemant Shah	TAMCAML 17FEB'17 15:28 08449	Empanelment with TMF as distributor
17/02/2017	Samooda Khatoon	TAMCAML 17FEB'17 17:39 08450	Surrender of unit certificate
17/02/2017	Madhavi Mukund Sagade	TAMC AML 17FEB'17 14:51 08451	Redemption of all units worth Rs. 1.02 crore from Taurus Dynamic Income Fund
17/02/2017	Priya Jude Abraham	TAMC AML 17FEB'17 14:51 08452	Redemption of all units worth Rs. 2,05,343 from Ultra Short Term bond Fund
17/02/2017	Jude J Abraham	TAMC AML 17FEB'17 14:52 08453	Redemption of all units worth Rs. 10,96,497 from Ultra Short Term bond Fund
17/02/2017	Joseph Abraham	TAMC AML 17FEB'17 14:52 08454	Redemption of all units worth Rs. 4,76,522 from Ultra Short Term bond Fund

From the above the table following is observed:

- From the time stamp it is seen that the serial number 08450 was generated on February 17, 2017, at 5:39 pm. Therefore, the next serial number should be stamped after this time.
- However, the next four serial numbers i.e. 08451, 08452, 08453 and 08454 were generated on February 17, 2017, at 2:51pm, 2:51pm, 2:52 pm and 2:52 pm respectively.
- Taurus vide email dated November 21, 2017 confirmed that Mr. Jude J Abraham was an employee of Taurus MF/ Taurus AMC as

Head - Sales, Marketing & Product Development from February 9, 2015 to May 3, 2017, with Taurus AMC. Mr. Jude J Abraham, Ms. Priya Jude Abraham and Mr. Joseph Abraham are related parties as Ms. Priya Jude Abraham is wife of Mr. Jude J Abraham and Mr. Joseph Abraham is father of Mr. Jude J Abraham.

(ii) The time stamp on some of the applications on February 20, 2017 were as follows:

Date	Name of applicant	Time stamp	Nature of application
20/02/2017	Dwarkanath S Rajan	TAMC AML 20FEB'17 15:48 08470	Change of nominee
20/02/2017	Sukanta Dey	TAMC AML 20FEB'17 14:54 08471	Redemption of all units worth Rs. 9197.27 from Taurus Short Term Income Fund
20/02/2017	Punjab and Sind Bank	TAMC AML 20FEB'17 14:57 08472	Redemption of all units worth Rs. 50.05 crore from Taurus Liquid Fund

From the above the following is observed:

- From the time stamp it is seen that the serial number 08470 was generated on February 20, 2017, at 3:48 pm. Therefore, the next serial number should be stamped after this time.
- However, the next two serial numbers i.e. 08471 and 08472 were generated on February 20, 2017, at 2:54 pm and 2:57 pm respectively.

(iii) The time stamp consists of the following

- The first word indicates 'the entity' – in this case TAMC i.e. Taurus AMC
- The second word indicate 'the branch', - in this case AML i.e. Andheri, Mumbai branch
- Next is date and time
- Last is Serial Number

(iv) The above anomaly in time stamping can happen either due to error /malfunctioning in the machine or Taurus AMC has tampered the time stamp machine.

(v) TMF vide email dated January 22, 2018, submitted that the time stamping machine is provided to TMF by Solaris Computers Private Limited (hereinafter may be referred to as “**Solaris**”). With respect to Date and Time Stamping Machine (hereinafter referred to as “**DTSM**”), TMF submitted the following:

- a) DTSM has two locks i.e. manual lock (which can be opened using a key) and an electronic lock / password. The manual lock is used to address issues relating to cartridges, battery and sensors of the DTSM. The electronic lock / password is used for re-installation or to make changes in core installation fields of DTSM. The staff at Taurus has not been authorized to have access to electronic password. This has also been confirmed by the vendor to Taurus AMC.
- b) The DTSM machines are also under annual maintenance contract /on call maintenance. All maintenance or repairs are solely conducted by the appointed vendor and the service record is being maintained.
- c) The responsibility for coordinating with the vendor for maintenance and upkeep of DTSM machine, is that of Head-Customer Service. During the months January-February 2017, Mr. Sasidhar V was Head-Customer Service.
- d) The DTSM displays error code in limited cases, if malfunction is observed in its working with regard to paper and cartridges issues which if noticed are highlighted to vendor for corrective action. Beside this, there is also an ongoing practice to detect any malfunction by periodic visual evidence by way of identifying any impression errors in location code, time, number, no impression or if machine stops functioning completely. This point is also covered in the scope of work of the Internal Auditor of Taurus Mutual Fund.

e) The applications received by TMF are time stamped and the same is then captured in an excel sheet by the Customer Service team member(s). This Control Sheet (informally also called, the Daily Transaction Cover sheet) captures various data fields such as time stamp number, branch, account number or application number, Scheme Name, Investor name, Amount etc. This data is maintained based on transaction type i.e. high value liquid purchase transaction, purchases –non liquid transaction, redemptions, switches, NCT & SIP.

(vi) With respect to anomaly in time stamping on February 17, 2017 and February 20, 2017, TMF submitted that the above malfunction was observed during SEBI inspection. TMF checked for the possible reasons as to why this malfunction could have happened and why their team members could not detect it. Their conclusion was that:

- a) The control sheet captured only the serial number of the stamping and not the time of stamping.
- b) The control sheet was being prepared as per the transaction type (as mentioned above) as a result running serial number of DTSM was not getting maintained in ascending order.

They also checked from the vendor for any possible audit trail. They were informed that the DTSM has no audit trail feature to detect or highlight instances when there is a mismatch in the time and /or serial number. They believe these facts could have contributed in the team members not detecting the malfunction on February 17, 2017 and February 20, 2017.

(vii) In this regard, information on functioning of DTSM was sought from Solaris Computers Private Limited. Solaris vide email dated January 19, 2017 and January 20, 2018, *inter-alia* submitted the following:

- a) The DTSM is fully password protected the seriality of serial number and time and date cannot be altered.

- b) Only time can vary at any given time with a variation of seconds as mentioned in pamphlet. As and when the customer informs the time difference the service personnels are called for and the time correction is done so.
- c) The servicing of the machine is carried out, as and when required by the client and our service personnel prepares the service report and it is duly signed by the customer.
- d) Regarding password protection they maintain it for their records. However with respect to TMF, Customer Service Head Mr. Sasidhar and Deputy Mr. Yashpal were aware of the password.

4. In view of the above, the SCN contained *inter alia* the following allegations:

- a. The anomaly observed in the DTSM on February 17, 2017 and February 20, 2017, was not because of error or malfunction, but it was because, tampering was done in DTSM by TMF. The key of the machine and the password to alter the time/date was known to Mr. Sasidhar V, Head-Customer Service of Taurus AMC.
- b. Mr. Sasidhar V, Head-Customer Service of Taurus AMC, who was in possession of the key and password of DSTM, has acted fraudulently by tampering with the DSTM.
- c. This was done with an objective to give favour to select few investors i.e. Ms. Madhvi Mukund Sagade, Ms. Priya Jude Abraham, Mr. Jude J Abraham and Mr. Joseph Abraham, on February 17, 2017 and Mr. Sukanta Dey and M/s Punjab and Sind Bank on February 20, 2017.
- d. The act of Mr Sasidhar V to tamper with the DTSM enabled few select investors i.e. Ms. Madhvi Mukund Sagade, Ms. Priya Jude Abraham, Mr. Jude J Abraham and Mr. Joseph Abraham, Mr. Sukanta Dey and M/s Punjab and Sind Bank to redeem their units at a higher NAV prior to the mark down in the value of BILT.

- e. Mr. Sasidhar V, Head-Customer Service of Taurus AMC has violated Regulation 3(a) and 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 and SEBI circular no SEBI/IMD/CIR No.11/78450/06 dated October 11, 2006.
5. Accordingly, vide the SCN, the Noticee was called upon to show cause within 21 days from the receipt of the SCN, as to why suitable directions, should not be issued against him:
- (a) Under Section 11(1) and 11B (1) of SEBI Act, 1992 read with provisions of SEBI (Mutual Funds) Regulations, 1996 and circulars issued including directions restraining him from participating in the securities market for a specified period.
 - (b) In accordance with Rule 4 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and penalty be not imposed upon him under section 15HA of the SEBI Act, 1992 read with Section 11 B (2) of SEBI Act, 1992 for the alleged violations.

Replies, Hearing and Written Submissions:

6. Pursuant to the SCN being served upon the Noticee, the Noticee vide letter dated October 24, 2019, sought for an extension of 21 days to file his reply. The Noticee then vide his letter dated November 14, 2019, filed his reply to the SCN. Thereafter, pursuant to the supplementary SCN being served upon the Noticee, the Noticee vide his letter dated January 22, 2020 filed his reply to the supplementary SCN. Following the principles of natural justice, the Noticee was granted an opportunity of personal hearing on February 12, 2020. On February 12, 2020, the Noticee along with his advocates appeared and made his submissions. The Noticee was also granted ten days' time to file his written submissions. The Noticee vide letter dated February 23, 2020 filed his written submissions.
7. The brief of the various submissions made by the Noticee in his replies dated

November 14, 2019, January 22, 2020, February 23, 2020 and during the hearing, is summarized as under:

Letter dated November 14, 2019:

- (a) I state and submit that the very outset, I solemnly state and affirm that all the averments made therein against me are totally false, baseless, misleading and untrue bereft of any documents in substance or in form. Those are nothing but conjectures and surmises bereft of any documentary evidence with a view to frame me for an act which I have never acceded nor conceded. I have never been a party to the alleged incidents and I am not a Key Managerial Person (KMP) to be responsible for such an alleged act. I have about 25 years of unstinted service in the mutual fund industry to vouch for it without a single blemish at any point of time from Asset Management Company.*
- (b) I state and submit that at the time of joining Taurus Asset Management Company (TAMC) I was reporting to Mr. Ramesh Kabra, Vice President – Product Development, Marketing and Customer Service. Mr. Kabra subsequently resigned and as a result I was instructed by e-mail from CEO to report to Mr. Amarjeet Singh Chief Financial Officer, record of which I do not hold.*
- (c) I state and reconfirm the fact that I came to know about the drop in Net Asset Value of February 22, 2017 on February 23, 2017 only after I came to the office at about 9:30 AM.*
- (d) With regard to para 4, I am not responsible in any manner for the contents mentioned therein. Calculation of NAV is not the responsibility of Customer Service Department. I am not a member of the Valuation Committee and I am in no way responsible to take a decision on NAV. I am in no way connected with any of the actions stated therein. I am not a member of Board of AMC or Board of Trustees and have no authority to endorse any decisions. The facts and the action leading to the events are total beyond the purview of the customer service department.*
- (e) With regard to para 6, I state that the facts stated therein is a matter of fact that I was designated as Head – Customer Service but it does not in any manner mean that I am responsible for the facts and contents stated in Para 5 and 6. I further*

state that I was never authorized / nor given any authority to take any decision of my own. I was never higher in hierarchy, Mr. Amarjeet Singh, CFO held the position of responsibility of Custer Service as KMP. Mr. Waqar Naqvi being the Chief Executive Officer as KMP, stand much higher in hierarchy than me and they are the KMP for instructions and functioning of the Department. The Email of TAMC dated Janaury 23, 2018 submitted almost after 11 months after the alleged incident does not in any way implicate me as per Para 5 and 6. Moreover, my resignation was in the month of December 2017 and I was relieved on January 20, 2018 of all responsibilities. I state that on November 22, 2017, the CEO of TAMC sought an explanation by marking a mail to me with copies to my reporting head, CFO, Compliance Officer and the Managing Director of TAMC. To this mail, I had on November 24, 2017 clarified with available information of the incident/events that had happened on February 22, 2017. This mail citing the clarification was market to all the officers as marked by CEO. There was no further inquiry or apprehension about my role in the alleged incident till my date of resignation and further till the date of my relieving order. In view of the above, the said purpose and intention of TAMC management vide its communication of 23-01-2018 to the Board, that is the very next day after myself being relieved physically from TAMC, a copy enclosed. This in itself speaks volume of my integrity and non-disclosure by TAMC management in connection with the SEBI inquiry and leading up to the issuance of instant SEBI SCN.

- (f) With regard to para 7, I state and submit that the applications are time stamped by any of the customer service team member and not be me exclusively. The documents exhibited in Annexure 3 of the SEBI SCN is a copy of the email sent under email ID sasidhar.v@taurusmutualfund.com. This mail was part of forwarding a copy of the image of the document to Registrars & Transfer Agents (RTA) for processing the transaction. This is a normal course of activity which could have been sent by any other email ID of TAMC. This is possible when RTA misplaces the transaction slips for processing. It may be further noted that monitoring the gaps of Date & Time Stamp Machine (DTSM) with respect to time/number for every application is practically not possible/feasible. In addition the DTSM is placed in multiple locations where the monitoring/control is not

possible unless highlighted or brought to the Notice.

- (g) With regard to para 7, I state and submit that as on February 22, 2017 that is the date of the alleged event mentioned in the SEBI SCN, TAMC did not have any documented record of nominated persons to open seal for maintenance and repairs. Further the SEBI SCN, does not provide any supporting documents to substantiate as to who all are the nominated persons to open the seal of the DTSM.*
- (h) With further regard to Para 7, I state and submit that as on February 22, 2017 that is the date of alleged event mentioned in the SEBI SCN, at TAMC, only the KMP issued instructions and further that there were no adequate restriction at TAMC and that several staff could access the to operate the DTSM at TAMC. Moreover at places wherever DTSM were put in, it is difficult to describe the restrictions imposed and that only KMP has access to the DTSM.*
- (i) With further regard to para 7, a detailed explanation was provided at the time of Departmental Inquiry held in November 2017. Between November 2017 and later when I resigned in December 11, 2017 and further thereafter till I was relieved, there were no questions asked for my explanations neither from CEO nor from CFO, Compliance Officer including Managing Director of TAMC who were all marked copy of my mail. My last working day was January 22, 2018. During the last working date, exit clearance form was submitted, however Mr. Amarjeet Singh CFO advised me to handover to HR and he left for the day before I left TAMC on January 22, 2018. I prepared a handover note so that my successor has continuity. I emailed my hand over note to my successor, HR Person and to Mr. Amarjeet Singh CFO.*
- (j) Thereafter in the month of October 2018, TAMC issued satisfactory service of employment. With regard to specific email by TAMC dated November 21, 2017 I am not aware of the relationship of employees namely Jude Abraham and other named individuals.*
- (k) With regard to the Annexure 3 of para 7.1.1 and 7.1.2 about the discrepancy of data and time stamp I came to know at the time of inspection by officials of the Board that is in the month of November 2017.*
- (l) With regard to Para 7.1.3 I state and submit that I do not have comments to offer.*

However, as mentioned in para 7.1.5 (a), 7.1.7 (c) the DTSM Service and Maintenance is performed by

- (m) With regard to Para 7.1.3 I state and submit that I do not have comments to offer. However, as mentioned in para 7.1.5 (a), 7.1.7 (c) the DTSM Service and Maintenance is performed by the Vendor Solaris Computers P. Ltd.
- (n) With regard to Para 7.1.4 about the anomaly in DTSM, I state and submit and reiterate the fact that the staff at TAMC has not been authorized and hence I am also one of the staff not authorized for electronic password. I further state and submit that the designation as Head Customer Service is misleading, misconstrued and misunderstood grossly by the Board. This assumption may be in order to put the entire blame on the unauthorized staff, which in the present instance happens to be the Noticee that is myself. In other words, since I am not a KMP, I am not an authorized person.
- (o) With regard to Para 7.1.4 about the anomaly in DTSM, I state and submit and reiterate the fact that the Position of Head Customer Service is devoid of any executing power like the KMP and the same is held by the higher hierarchy officials like the CFO and the CEO. The present impugned SEBI SCN alleges that the Noticee on behalf of the TAMC has tampered the DTSM, whereas the fact of the matter is that there are several other staff members of TAMC who operate the DTSM, which fact has been ignored by the Board completely at the time of its inquiry and while issuing the impugned SEBI SCN.
- (p) The Noticee therefore states and submits that the allegations, as above, as alleged in point 7.1.7(d) is totally incorrect, false, misleading and does not implicate the Noticee in any manner whatsoever for the alleged events cited in the impugned SEBI SCN and no directions or penalties can be issued on the basis of such baseless allegations bereft of any documentary evidence.
- (q) With further regard to para 7.1.5, the responsibility for coordinating with the vendors of DTSM for maintenance and upkeep of DTSM, though was assigned to the Noticee, the machine is serviced only when it comes to the notice of the Noticee or informed to the Noticee about malfunctioning during periodic visual evidence. In the absence of noticeable evidence during the months of January 2017 and February 2017, the need may have not arose to service the machine.

It may be noted here, the DTSM are also available at other official points of acceptance of TAMC where the branch user of the machine has to bring to the notice of the concerned official/Noticee at the head office at Andheri office as mentioned above.

- (r) With regard to para 7.1.7 the allegation as mentioned in para 7.1.7 (a) though it is a matter of record and practice, however, the KMP who also had total access could have used the password. With regard to 7.1.7 (b), though the matter as stated is for record and promotional of the machine, the machines may still have erratic behavior, at times, on which either the Noticee or the Department or the KMP do not have any control whatsoever. Hereto annexed and marked as Annexure 4 is a copy of a reference with respect to the telephone handset where the display of day against the date had a mismatch.*
- (s) With further regard to 7.1.7 (d) if the customer or operating staff does not inform about the malfunctioning of the machine, it will go undetected till it is identified at any audit time. Whenever the service personnel of the Vendor is called for servicing for any purpose, there is a possible exposure or disclosure or leakage of password to the TAMC Staff other than the Noticee purely because there is a fiduciary relationship of agent and principal between the vendor and TAMC. To quote an instance when the new DTSM was installed in January 2018, Mr. Yashpal Sharma was overseeing the installation. While doing so, the service personnel of the Vendor has disclosed the password to Mr. Yashpal Sharma and hence he too is aware which is on record. The statement given by the vendor to the Board, therefore, that the password is aware to only 2 persons including the Noticee is grossly incorrect and misleading and cannot be relied upon in totality. In other words the submission and contention by the Vendor with regard to awareness of password restricting to only 2 where the Board has heavily relied on such contention leading upto the issuance of the SEBI is grossly incorrect. Any decision based on such baseless and misleading assumption on the part of the Board would gross injustice to the notice and in gross violation of principles of natural justice.*
- (t) With regard to para 7.1.8 the allegations are incorrect, baseless, false and totally misleading. The selected customers Mr. Jude Abraham, Mr. Joseph Abraham,*

Ms. Priya Abraham, Ms. Mahdavi Mukund Sagade, Mr. Sukanta Dey and M/s Punjab and Sind Bank are not related either directly or indirectly to the Noticee. The allegation that there is an objective to give favours to these select few customers is baseless. Prior and post the transaction date I confirm and state with authority that there were no movement of any funds or pecuniary benefits to my bank account or otherwise; from the benefits gained by the named parties. I reject and disagree out rightly and in totality the allegations raised in the SEBI SCN against me.

- (u) With further regard to para 7.1.8 I outrightly and in totality deny the allegations levelled against me with regard to the tampering of the DTSM. I state, submit and reiterate the fact that I have not tampered the DTSM and have not favoured the select investors and such unfounded and baseless allegations against me is totally misconceived and bad in law. I deny in totality having any relations directly or indirectly with the mentioned selected investors and that I have not taken any legal or illegal benefits from the said customers.*
- (v) The selected named individuals and the entity M/s Punjab & Sind Bank in the SEBI SCN are totally unrelated party to the Noticee. The individuals though stated as related to each other and further the entity which is unrelated, the onus of proving illegal gain or illegal benefit has to be provided by documentary evidence and none of the Annexures supported in the impugned SEBI SCN cause for any action. I state and reiterate my stand and contention that I am not beneficiary of any financial or pecuniary benefits and I had no intention of receiving any such benefit during or after the alleged incident. I am in no way party to the alleged incident. I state and submit that in the particular case of M/s Punjab & Sind Bank, the relationship manager is already mentioned/provided by TAMC which has been appended by SEBI at page 36 of instant impugned SEBI SCN. I reiterate the fact that I was not a relationship manager of the customer namely M/s Punjab & Sind Bank and all other individuals mentioned in the SEBI SCN.*
- (w) With respect to the Noticee being alleged of tampering the DTSM, the same is contradicted by SEBI SCN itself at point 7.1.4 and confirms that the act of tampering was done by TAMC or some employee. The allegation that the*

tampering was done by the Noticee only is therefore surmises and conjecture bereft of any documentary evidence I deny the same in totality and reiterate my stance that; at no point of time I was ever a party to such an alleged act of misconduct. I cannot be penalized for an allegation which are nothing a figment or imagination that the Noticee may have conducted such and such act and any decision on such un proved allegations would be arbitrary and illegal.

- (x) *The Noticee based on the above facts, states and submits that in the interests of justice and equality, the impugned SEBI SCN needs to be withdrawn and set aside and the Noticee exonerated from all the alleged acts leading up to the issuance of the present impugned SEBI SCN dated 30-09-2019 so as to enable the Noticee to lead a normal life with dignity and honor, which cannot be put at altar on mere allegations largely based on assumptions.*
- (y) *The Noticee therefore states and submits that he cannot be penalized for merely being the Head Customer Services and just on the blanket premises of being aware of the password, which is bereft of strict documentary evidence. The act of the Board issuing the impugned SEBI SCN vide letter dated September 30, 2019 is not only 'improper, illegal and per incuriam, but also in blanket violation of principles of natural justice. The Noticee is being aggrieved by the aforesaid lapses and acts of the Board issuing the impugned SEBI SCN, and the consequent abrupt oral disqualification of the Noticee by the present employer, which inter alia infringes Noticee's right and freedom of carrying on the employment of his choice, right to life and liberty on the following amongst other grounds which are taken without prejudice and in the alternative to one another.*

Letter dated February 23, 2020:

- (a) *This paragraph 9 of the instant SCN dated September 20, 2019 is a summary from paragraph 1 to para 8 contained reasons for your issuance of the SCN and the substantiation of various charges against the Noticee under the various sections of the SEBI Act.*
- (b) *At the outset, I state that the deletion of paragraph 9 of the SCN vide your letter dated January 17, 2020 all directions issued under Section 11(1), 11B(1) and 11B (2) of the Securities Board of India is deleted.*

(c) *With reference to para 4 of your letter dated January 17, 2020 it is stated that all other paras/details, as mentioned in the said SCN shall remain unchanged. I state that all the allegations, as alleged in the impugned SCN is totally incorrect, false, misleading and does not implicate the Noticee in any manner whatsoever for the alleged events cited in the impugned SEBI SCN. As a result of deletion of paragraph 9 of your letter dated January 17, 2020, no directions or penalties can be issued on the basis of such baseless allegations befit of any documentary evidence against the Noticee. Any decision based on such baseless and misleading assumption on the part of the Board resulting in penalties to the Noticee would amount to gross injustice to the Noticee and in gross violation of the principles of natural justice.*

Letter dated February 23, 2020 (Additional/Further Submissions):

- (a) *I state and submit that on February 20, 2017 – Mr. Jude Abraham approached for back dated processing of redemption. I bluntly refused the request. Mr. Jude Abraham informed that CEO Mr. Waqar Naqvi has given permission. I called the CEO over the intercom he confirmed approval and advised me to go ahead. I refused to accede to such a request but later on I came to know Mr. Jude Abraham over ruled me and told the team to timestamp the transactions. I never saw the transaction paper either before submission or after the timestamp of the transaction.*
- (b) *I further state and submit that I never probed further but only during the inspection time of SEBI inspectors, I came to know that Mr. Jude Abraham had given transaction of his entire family members. I do not know nor do I have the names of his family members to do any specific favours as alleged by the Board and that I was in no way directly or indirectly a party to such an act of impropriety.*
- (c) *I state and submit that on February 22, 2017 – Mr. Jude Abraham again approached to accept a redemption transaction for Punjab and Sing Bank for dated February 20, 2017 which investment in Taurus Liquid Fund. Here too I bluntly refused.*
- (d) *I state and submit that it is with great shock dismay and disappointment I have to state and submit that despite my defiance, the entire top management*

including Mr. Amarjeet Singh the CFO and Mr. Waqar Naqvi, the CEO (over telephone instruction to Mr. Amarjeet Singh as he was not in office that day) directed the customer service team to accommodate the redemption transaction being large redemption and cautioned not to have an audit trail. I specifically remember having said that such an impropriety such as the one factor being proposed cannot happen without leaving behind the audit trail. I instructed my team not to mess around any matter related to the audit trail. I was not aware where and when the transaction was time stamped despite being cautioned. I was forced to remain silent as my job was on stake.

- (e) I state and submit that though the manual key and electronic password was to be available with Head Customer Service and Compliance officer as per a policy, which I proposed in the year 2017 to Mr. Amarjeet Singh CFO and Mr. Waqar Naqvi, I, however was not informed whether the said policy was approved by the Board of Trustee Directors. I state that the password was advised by Mr. Amarjeet Singh CFO to me to share with the customer service team since the password may be used when I am not in office or on leave from office. Since the reporting head advised, I had to share with the team members including team at Information Technology which reports to him directly. I am not aware who shared the password and opened the Time Stamp machine for these transactions.
- (f) I say and state that at the time of hearing on February 12, 2020, the Board pointed out to me, specifically that Mr. Amarjeet Singh, CFO has stated in his email dated January 22, 2018 to SEBI that Mr. V. Sasidhar was Head Customer Service.
- (g) In response to the observation made has to state that however in the said email Mr. Amarjeet Singh CFO has only stated that the Noticee is Head Customer Service, but did not mention that the Noticee Mr. V. Sasidhar has acted fraudulently with an objective to give favour to select few investors i.e. Ms. Madhavi Mukund Sagade, Ms. Piya Jude Abraham, Mr. Jude J Abraham, Mr. Joseph Abraham, Mr. Sukunta Dey and M/s Punjab & Sind Bank. I say that it should also be noted that Mr. Amarjeet Singh does not state to SEBI that Mr. V. Sasidhar had anything to do with the malfunctioning of the DTSM or any favours to specific new investors. I therefore state that Mr. Amarjeet Singh, CFO and Mr.

Waqar Naqvi CEO are aware of the sequence of events on that day more than me.

- (h) *I state that any act on my part is more of an error which can be construed as an unintentional error rather than an intentional error, a similitude of which could be ascribed to that an instance of error, where the Board themselves during the hearing confided that the concerned Investigating Officer charged certain inapplicable sections and applied to the Noticee who is an individual instead of applying the same to the company i.e., the AMC and such section was not applicable and hence para 9 was deleted by the Board vide its letter SEBI/IMD-II/DOF3/2374/2020 dated January 17, 2020. The Investigation Officer admitted the unintentional error during the hearing but on paper the error committed was expressed as “withdrawn”. That withdrawal was done after Noticee responded to the original SCN. I say that and state as mentioned, this effectively means that an error can happen unintentionally.*
- (i) *I further state that and would like to bring on record that as an ongoing Employer – Employee relationship, there are verbal instructions to be followed for which evidence is not available. A similitude of which can be cited in the present case as well wherein the Ld. And Respected Whole Time Member of the Board was gracious enough to give additional 10 days verbal permission for submission of additional submissions by the Noticee, if any. I say that the Board has completely ignored Employee – Employee relationship and also failed to provide evidence of dishonesty or disgorgement on part of the Noticee. I say that the Noticee can never and will never be aware of any unlawful gain or unlawful loss to any party as the same falls under the exclusive and pure domain of the Key Management Personnel.*

CONSIDERATION OF SUBMISSIONS AND FINDINGS:

8. I have considered the SCN dated September 30, 2019 along with its annexures, Supplementary SCN dated January 17, 2020 and the aforementioned replies and written submissions filed by the Noticee and the submissions made before me during the course of hearing. The question to be determined in the present proceedings is

whether the Noticee has violated the provisions of the PFUTP Regulations, 2003 and the SEBI circular, as alleged in the SCNs.

9. Before dealing with the issues, it would be appropriate to refer to the relevant provisions of law which are alleged to have been violated by the Noticee and relevant extract thereof is reproduced hereunder:

Relevant extract of provisions of PFUTP Regulations, 2003:

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;*

Regulation 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.*

10. A preliminary contention has been raised by the Noticee regarding deletion of paragraph 9 of the SCN as stated in the supplementary SCN. Noticee has contended that deletion of said para means that all directions issued under Section 11(1), 11B(1) and 11B (2) of the Securities Board of India is deleted and no directions or penalties can be issued is wholly misplaced and untenable. In this regard, I note that para 9 reads as under:

"The instant SCN is being issued under Section 11(1), 11B(1) and 11B(2) of Securities and Exchange Board of India Act, 1992 (SEBI Act) read with Rule 4(1) of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 for holding inquiry and imposing penalty, if any, under section 15 D(b) and 15 HB of SEBI Act, 1992 read with provisions of SEBI (Mutual Funds) Regulations, 1996 and circulars issued thereunder for violations as alleged herein above."

11. I note that the said para 9 of the SCN has been deleted by the supplementary SCN as the said section 15D (b) and 15HB of SEBI Act, 1992 read with provisions of SEBI (Mutual Funds) Regulations, 1996, is not applicable to the Noticee but to the Taurus AMC and was inadvertently inserted in the SCN of the Noticee. Further, I find that it is clear from a reading of the subject of the SCN that the SCN has been issued under Section 11(1), 11B(1) and 11B(2) of Securities and Exchange Board of India Act, 1992 and that under para 8 of the SCN, the Noticee is clearly called upon to show cause as to why suitable directions should not be issued against him:

- (i) Under Section 11(1) and 11B (1) of SEBI Act, 1992 read with provisions of SEBI (Mutual Funds) Regulations, 1996 and circulars issued including directions to restraining you from participating in the securities market for a specified period.
- (ii) In accordance with Rule 4 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and penalty be not imposed upon you under section 15HA of the SEBI Act, 1992 read with Section 11 B (2) of SEBI Act, 1992 for the alleged violations.

Hence, I find that there is no discrepancy in the SCNs as submitted by the Noticee.

12. Coming to the merits of the case, I note that the allegations made in the SCN is that there was an anomaly in the DTSM on February 17, 2017 and February 20, 2017, as the time stamp machine has been tampered with by TMF through the Noticee who was the Head of Customer Service of Taurus AMC and was having the key of the machine and the password to alter the time/date. It has been further alleged that the same has been done to give favour to certain investors i.e. Ms. Madhvi Mukund Sagade, Ms. Priya Jude Abraham, Mr. Jude J Abraham and Mr. Joseph Abraham, Mr. Sukanta Dey and M/s Punjab and Sind Bank, so that their units can be redeemed at a higher NAV prior to the mark down in the value of debt securities of BILT due default on its payments obligation on such securities by BILT on February 20, 22 and 27, 2017.

13. I note that SCN alleges that on inspection of DTSM, anomaly was observed in the

time stamping of applications for redemptions received on February 17, 2017 and February 20, 2017, in as much as the certain applications received, on these two dates, were having prior time stamped on whereas serial numbers of these applications was subsequent to those applications which were having later time stamped on them. SCN *prima facie* observed that the said anomaly in time stamping can happen either due to error/malfunctioning in the machine or Taurus AMC has tampered the time stamping machine. However, after examining replies of TMF and time stamping machine provider Solaris Computers Private Limited, SCN alleges that such anomaly is attributable to tampering in DTSM by TMF through Noticee. As per SCN, the TMF in its response vide email dated January 22, 2018 had *inter alia* informed that the responsibility for coordinating with the vendor for maintenance and upkeep of DTSM machine was that of Head-Customer Service and during January-February, 2017, Noticee was Head-Customer Service. SCN further states that Solaris, vendor who provided DTSM to TMF, vide email dated January 19, 2017 and January 20, 2018 to, *inter-alia* submitted that the DTSM is fully password protected and the sequencing of serial number, the time and date cannot be altered and that with respect to TMF, Noticee and his deputy Mr. Yashpal were aware of the password. In view of this, SCN alleges that Noticee who was in possession of the key and password of DTSM, has acted fraudulently by tampering with DTSM.

14. In response to the allegations made in the SCN, the Noticee vide his reply dated November 14, 2019 (hereinafter referred to as “**the Reply**”) has claimed complete ignorance of the fraudulent activity that has been alleged in the SCN and submitted that he is completely innocent and is unaware of the cause of the anomaly in the DTSM on February 17, 2017 and February 20, 2017, as alleged in the SCN. Noticee has also contended that there were other people also who were/might be aware of the password of the DTSM. Noticee has submitted that even the SCN itself states that Mr. Yashpal Sharma also knew the password.
15. However, in his additional submissions dated February 23, 2020 (hereinafter referred to as “**the additional submissions**”), the Noticee has *inter alia* submitted, “*I state and submit that on February 20, 2017 – Mr. Jude Abraham approached for back dated processing of redemption. I bluntly refused the request. Mr. Jude*

Abraham informed that CEO Mr. Waqar Naqvi has given permission. I called the CEO over the intercom he confirmed approval and advised me to go ahead. I refused to accede to such a request but later on I came to know Mr. Jude Abraham over ruled me and told the team to timestamp the transactions". Noticee has further submitted, "I state and submit that on February 22, 2017 – Mr. Jude Abraham again approached to accept a redemption transaction for Punjab and Sing Bank for dated February 20, 2017 which investment in Taurus Liquid Fund. Here too I bluntly refused".

16. I note that the Noticee in his Reply to the SCN has submitted that the anomaly may have been caused due to error or malfunction of the machine. I also note that the Noticee has in his Reply to the SCN submitted that he had given a detailed explanation at the time of the Departmental Inquiry held in November 2017 vide an email dated November 24, 2017. I note that vide the said email dated November 24, 2017, addressed to Mr. Waqar Naqvi and also marked to Mr. Amarjeet Singh, CFO and others, the Noticee has *inter alia* stated that:

"Post the above visit and activity, I re-checked the documents handed over and noticed that there were some gaps in certain sequence of time stamped number.

To understand the gaps I tried to gather the events that happened for the few transactions which pertained to the month of February 2017.

Tried to recall what happened along with the executive. For few moments, the machine seemed to have stopped working and then restarted working. However not sure what actually had happened. We, the executives and I, are not clear at what time this incidence of stop and restart had happened and how many times."

17. I note that the detailed explanation by the Noticee vide the said email dated November 24, 2017, was in reply to an email dated November 23, 2017 from Mr. Waqar Naqvi, wherein, Mr. Waqar Naqvi had written that *"I understand that during the recent visit of SEBI officials to our office, it has been discovered that in some of the transactions stamped for date and time there is a mismatch between the time of stamping and the serial no. Please let us know the explanation for the same."*

18. I note the Noticee in his reply to the Departmental Inquiry and including his Reply to

the SCN issued in the present proceedings has attributed the anomaly in the DTSM to some error or malfunction of the machine and has not stated anything regarding the alleged fact that Mr. Jude Abraham had approached him for back dated processing of redemption and that Mr. Waqar Naqvi and Mr. Amarjeet Singh had approved of the same. I note that it is only in his additional submissions that he has now revealed that the anomaly in the DTSM was not because of error or malfunction of the machine but due to tampering done in the DTSM. Thus, I find that Noticee was in possession of the password of DTSM with which he could have changed the time stamping of the various requests received by TMF because of which, Mr. Jude Abraham approached him for manipulating redemption requests. Even the CEO- Mr. Waqar also told Noticee to go ahead with the request of Mr. Jude. I further find from the explanation sought by the CEO - Mr. Waqar from the Noticee as a part of the departmental proceedings, reply given in response thereto by Noticee and the additional submissions made in the present proceedings that Noticee was very much involved in the tampering of the time stamping of the redemption requests, otherwise there was no need for him to provide the reply in the way he provided in response to the explanation sought from him by the CEO-Mr. Waqar wherein Noticee pleaded ignorance of the matter.

19. I note that the Noticee in his Reply to the SCN has contended that there is no documentary evidence to prove the allegations against him. In this regard, I find that SCN has made allegations on the basis of the findings in the inspection report of the Taurus AMC undertaken by SEBI, which were arrived at as per the evidence, oral and documentary collected during the inspection. These evidence include replies received from TMF, Solaris, etc. These evidences inter alia show that there was manipulation in the time stamping of the redemptions requests received by TMF on February 17 & 20, 2017, time stamping was done through DTSM, Noticee was the head of the Customer Services of Taurus AMC and Noticee and deputy Shri Yashpal was having the password which enables the holder to tamper with time stamping. Thus, on the basis of these evidences a reasonable inference has been drawn in the SCN that Noticee fraudulently tampered with DTSM to give benefit of higher NAV to certain entities which they would not have got had the Noticee not tampered with the

DTSM. Therefore, I find that there is sufficient evidence to prove the allegations made in the SCN on preponderance of probabilities. Now, the Noticee had the full liberty to disprove these facts by leading evidence which in fact he did in the reply filed by him by simply denying all the allegations and by pleading complete ignorance of the incidents, albeit without any supporting evidence. However, in his additional submissions, the Noticee has submitted that the anomaly in the DTSM was caused due to deliberate tampering and that he remained silent about it and concealed the facts as he claims that his job was at stake. Further, I find that in response to the explanation sought from him by Mr. Waqar-CEO, as quoted above, the Noticee replied that he came to know about the whole incident of wrong time stamping in DTSM after the visit of SEBI officials and he attributed it to malfunctioning in the DTSM whereas now in his additional submissions, he has submitted that all this was deliberate. It shows that the Noticee was involved in the fraudulent act of tampering with DTSM and fabricate false evidence of malfunctioning of DTSM to hide the actual wrong doing, by giving a wrong reply to the explanation sought from him. Had it not been so, there was no need for him to give wrong reply to the explanation sought. Thus, the contention of the Noticee that there is no evidence available against him is not correct.

20. In view of all the aforesaid facts and circumstances I find that there was deliberate tampering of the DTSM to give favour to certain investors i.e. Ms. Madhvi Mukund Sagade, Ms. Priya Jude Abraham, Mr. Jude J Abraham and Mr. Joseph Abraham, Mr. Sukanta Dey and M/s Punjab and Sind Bank, so that their units can be redeemed at a higher NAV prior to the mark down in the value of BILT. I further find that the Noticee, who was the Head of Customer Service of Taurus AMC, was involved in the alleged fraudulent activity of tampering with the DTSM. Thus, I find that the Noticee has violated the provisions of Regulations 3(a) and 4(1) of PFUTP Regulations, 2003.
21. I note that SCN in the present matter has also been issued under Section 11B(2) and Section 15HA of the SEBI Act, 1992. I note that power given under Section 11B(2) is without prejudice to the power to issue direction as given under Section

11B(1) of the SEBI Act, 1992. Section 15HA of SEBI Act, 1992 provides as under:

“15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty -five crore rupees or three times the amount of profits made out of such practices, whichever is higher.”

22. Having regard to the facts and circumstances of the case including the fact that the Noticee was not a key managerial personnel of Taurus AMC and there is no allegation in the SCN that he has received any monetary benefit out of redemptions made at higher NAV, I find that a direction imposing monetary penalty under Section 15HA of the SEBI Act, 1992 will meet the ends of the justice. I note that Section 15J of the SEBI Act, 1992 provides as under:

15J. While adjudging quantum of penalty under 115-I or section 11 or section 11B, the Board or 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.

Explanation. —For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.

23. I note that in the present case, the material available on record does not show any disproportionate gain or unfair advantage made by the Noticee. Further, material available on record also does not show any amount of loss caused to investor or group of investors. Also the default by the Noticee is not repetitive in nature. However, in terms of Section 15HA of SEBI Act, 1992 a minimum penalty of Rs. five lakh has to be mandatorily imposed on the Noticee.

DIRECTIONS:

24. In view of the above, I, in exercise of the powers conferred upon me under Sections Section 11(1) and 11B read with Section 15HA and 15J, of the SEBI Act, 1992 read with Section 19 thereof, hereby impose a penalty of Rs. five lakh only on the Noticee. The penalty shall be paid by the Noticee within a period of forty-five (45) days, from the date of coming into force of this direction, by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai.
25. The Demand Draft shall be sent to "The Division Chief, Division of Funds -III, Investment Management Department, Securities and Exchange Board of India, SEBI Bhavan, Plot no. C- 4A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051".
26. The Order comes into force with immediate effect. However, having regard to extraordinary situations arisen due to COVID-19 pandemic and consequential lockdown imposed till August 31, 2020, the direction given in para 24 above, shall come into force on September 01, 2020 or at the end of the lockdown, if it is extended beyond August 31, 2020.

Sd/

Place: Mumbai

**ANANTA BARUA
WHOLE TIME MEMBER**

Date: August 18, 2020

SECURITIES AND EXCHANGE BOARD OF INDIA